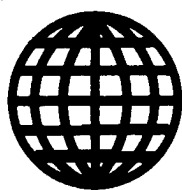


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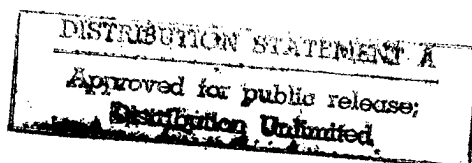


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GENERAL

QIUSHI on Relations With Third World Parties

*HK1804012092 Beijing QIUSHI in Chinese
No 3, 1 Feb 92 pp 40-43*

[Article by Guo Qingshi (6753 1987 0099) of the International Liaison Department of the CPC Central Committee: "Further Develop Relations With Friendly Political Parties in the Third World"]

[Text] In today's international world it is a common practice for political parties in different countries to make contacts with each other. As the relations of the political parties grow internationally, especially when the ruling parties of different countries develop relations, the relationships of political parties become an important component of international politics and a major part of external affairs activities in many countries. It has been the tradition of the CPC to have international contacts, and the party is willing to have dialogues, to keep in touch, and to have contacts with the political parties and organizations who want to develop friendly relations with us. At present, our party has established extensive contacts and has developed friendly relations and contacts with many legitimate political parties throughout the world. Developing relations with friendly political parties in the Third World is an important component of these contacts.

Since the Third Plenary Session of the 11th CPC Central Committee, based on the changes on the international scene and the demands of our national construction, and based on the conclusions reached from past experiences and lessons, the party has greatly revised the guiding ideology and guiding principles for international liaison affairs. The party indicates explicitly that the general principles for international relations are to maintain world peace, strive to create a long-lasting peaceful international environment, serve the nation's socialist modernization, serve the reform and open policy, and help China achieve the goal of its development strategy. Therefore, the party decided not to follow the traditional method of the past, when we established and developed relationships with only the communist parties and workers' parties in foreign countries, and began the journey of establishing and developing relations with friendly political parties in the Third World. For more than a decade the CPC has had active relationships with these parties, creating new developments and breakthroughs continuously. The political parties that developed early relationships with our party are concentrated mainly in Africa. Today, we have established and developed friendly relations with more than 40 political parties and organizations in African countries. There are more friendly political parties in Latin America that have established relations with us. Among the nations in the outer regions of Asia, our party has established and developed friendly relations with ruling parties, major coalition parties, and legitimate opposition parties in India, Pakistan, Sri Lanka, and Bangladesh. We insist on treating these parties as equals; whether they are major parties or minor parties and whether they are ruling

parties, coalition parties, or opposition parties. We vigorously follow the principles of independence, absolute equality, mutual respect, and noninterference in domestic affairs. Our contacts and relations are implemented through various channels and in various styles. The programs of the relations are quite substantial, such as exchanging opinions and viewpoints on how to maintain world peace, on how to strive for development, and on other international issues of mutual concern. Or we introduce the situation of our countries and parties to each other, compare our experiences in party and state administration, improve mutual understanding and friendship, and acquire a deeper understanding of each other.

The CPC's establishment and development of relations with friendly political parties in the Third World has been useful and meaningful.

First, it benefits the cause of fighting against hegemonism and defending world peace. Today, the old world structure formed after World War II has disintegrated. However, the rapid changes in the international political situation have not brought peace and calm to our world. Hegemonism and power politics still exist and display new development. The gaps between North and South, rich and poor continue to grow. In some regions the balance of power has been lost and intensified conflicts have developed. Peace is still facing severe challenges. Therefore, from beginning to end, defending world peace has always been a serious task for the people of every nation. On international issues, especially on the issue of defending world peace, our party shares general common ground with most political parties in the Third World. In contemporary history the Chinese people have suffered enough from war; they especially value today's hard-earned stable life and they favor peace. Socialist China has always considered it its responsibility to defend world peace. The major task facing us is to vigorously develop socialist productivity and eradicate poverty and backwardness. For this purpose the CPC has put forward a three-step strategic goal. It is impossible to achieve this goal if there is no long-lasting peace within the international environment.

Early in 1980 Comrade Deng Xiaoping pointed out specifically: "We, as well as other people in the world, definitely need a peaceful environment. Therefore, from the perspective of our country, our foreign policy is to seek a peaceful environment to realize the four modernizations. This is no lie; this is the truth. This great policy will benefit not only the Chinese people, but also the people of the whole world." (*Collected Works of Deng Xiaoping, 1975-1982*, p 205) We need peace now; yet even when, in the future, we achieve modernization, we will still want peace, because we will not want to destroy the results achieved through many years of hard work and creation. Therefore we pursue an independent and peaceful foreign policy, work hard from beginning to end to defend world peace, and struggle against hegemonism. That is to say, the CPC proceeds from the basic interests of the Chinese people and of the people of the whole world. It has decided that the basic objectives of the party's and state's international activities are to oppose hegemonism and power politics,

defend world peace, develop friendly cooperation with other nations, and promote common economic prosperity. The party persistently strives for this goal. Like China, many Third World nations love peace. After achieving national independence, they have the urgent task of developing their national economies. Yet without a peaceful international environment, they will have difficulty fulfilling their goal. Therefore, Third World countries do not need war; they long for peace. In the past we worked together with countries in the Third World and made positive contributions in defending world peace. As a result peace was preserved. At present, fighting to establish a just and reasonable new international order and defending a long-lasting world peace remain common tasks for people throughout the world and especially for those in the Third World nations. Consolidating our relationship with the Third World can help us struggle together to defend world peace, promote South-South cooperation, initiate dialogue between North and South, establish a new international order, and promote human progress.

Second, it benefits both our national development and development in the Third World. The major topic in today's world is the issue of development. World development begins with Third World development. The Third World occupies two-thirds of the world's land area and has almost four-fifths of the world's population. Whether judged from the angle of the self-development of mankind or from the angle of defending world peace, every nation should pay attention to Third World development problems. Nevertheless, since the 1980's, there have been changes in international economic relations and this has made it more difficult for the Third World. Because of this, the gap between North and South is growing even bigger and poverty in developing nations gets worse and worse. In many countries, the conditions for economic and social development continue to deteriorate. Although, these countries basically have to depend on hard work and self-reliance in order to develop, at the same time they must also utilize the international situation efficiently and thoroughly. In particular they need South-South cooperation, to consult with each other, to pick up good points from others to offset deficiencies, and to seek common development. Unity and cooperation in the Third World will give these nations more strength. This will enable them to rely on themselves, overcome obstacles, and tackle the economic changes in the world. China and the Third World face common or similar tasks in economic development. At the Third Plenary Session of the 11th CPC Central Committee, the party shifted the focus of party affairs to socialist construction and made social productivity development our fundamental task. The CPC and many political parties in the Third World are in the same boat; in the past they led the masses in struggles to fight for national liberation; now they work hard to preserve national independence and to develop their national economies. Their economic construction is similar to ours; they have achieved much success and made many detours, and now they are facing various types of difficulties and problems. China is implementing the reform and open

policy. Many Third World nations, in order to strive for more economic progress and adjust to international economic developments, have begun to explore and experiment by readjusting their economic structures and policies according to their national conditions. Political parties can relate to each other by comparing their experiences in party organization and ideology building as well as experiences in governing and building nations. The CPC pays great attention to the Third World nations' achievements and experiences in national economic development. Many political parties of Third World nations also concern themselves with the results and experience of reform and opening up in China. Building relations with political parties and exchanging information with each other can help each nation explore development strategies that may fit in with individual national conditions. This can also help us find the channels, paths, and methods for common development and cooperation. In short, the most important side and program of our party's cooperation with the Third World, that is, South-South cooperation, is exchanges and knowledge of other nations' development situations and experiences. Political party relationships have a positive role in promoting this goal.

Third, it helps China develop national relations with the countries in the Third World and helps the Chinese people improve friendships with the peoples in the Third World. Political party activities have become a vital style of political and social life in the Third World. The majority of Third World nations have one or several active political parties. Many of these political parties have a long history. Many parties are or have been the ruling party; some may have been ruling for a relatively long time. Each party influences its country in different ways. Most of the political parties in the Third World that establish and develop relations with the CPC are either ruling parties, co-ruling parties, or coalition parties. There are other influential and legitimate opposition parties also. Our party establishes relations and maintains contacts with these parties. These relations complement the diplomatic relations between one state and another. With some nations we first establish party relations, and later state relations. The current presidents of some nations, before they were elected, came to visit China as political party leaders. After coming to power they promoted state relations further. Relations between the two parties then went beyond exchanging opinions or developing party relations; the two parties could send goodwill delegations and observation groups to each other in order to have better understanding of the situation. This kind of mission puts less emphasis on formality and more on real effect. They can cut down diplomatic formality and have more time for substantial communications. They can touch deeply on political, economic, social, and cultural areas; exchange viewpoints freely and frankly on topics of common concern and interest; and may gain profound understanding of relevant situations and experiences. In this way, the road to the development of the relationship between two states can be further widened. This has a positive effect on the

relationship between the two states. Party contacts promote the development of state relations, and the development of state relations provides good conditions for the development of party relations. Party relations are an important component of a state's general diplomacy and a vital channel for intensive relations between states. The CPC and political parties in the Third World have established and developed friendly relations, which is the bridge to improving the friendship between the Chinese people and the people in the Third World. The Chinese people wish to understand other people in the world; they also want people in other nations, especially those in the Third World nations, to understand China. Many political parties in the Third World, because of their leadership of national liberation movements and their ability to defend the nation's and the state's independence, have earned the support and endorsement of the masses. The members of some political parties come from various social classes and strata. Whether these political parties are ruling parties, coalition parties, or legitimate opposition parties, they have extensive influence on the masses, labor unions, and civil groups or organizations such as youth groups and women's organizations. Building and developing relations with these political parties will not only help us make contacts and stay in touch with politicians, it will also help us make contacts with a variety of people on different levels and through various channels, have friendly exchanges with people's groups and nongovernment organizations, make many friends, and promote mutual understanding and friendship with people in all countries. The improved friendship between people will then further promote the development of political party relations and state relations.

The friendly relations established and developed between the CPC and political parties in the Third World have a solid foundation and broad prospects.

The nations and peoples in the Third World are our real friends; we understand each other and we support each other. The friendship between the Chinese people and the people in the Third World is long-standing and well-established. We have passed many trials before and we all value this friendship very much. Many friendly political parties in the Third World are old friends of the CPC and the Chinese people; we have been through hard times together. During the struggles against colonial and imperial invasion, slavery, oppression, and robbery, and during the long-term struggles for national liberation, we understood each other and offered each other sympathy and support. For several decades the CPC and the Chinese people have made efforts and contributions to support the Third World nations' struggles for and defense of national independence. We have earned the approval of the Third World nations and people. Many Third World nations' political parties or the organizations preceding those political parties were established through struggling against colonialism during the time of colonial rule. Through these struggles they won their leadership of national liberation movements. Some political parties were built after national independence. Although in the past the CPC did not establish party relations with them, our state, during

that time, already had contacts with them and supported the righteous struggles of the people there. These struggles, like the fate and air we share, long ago linked us with the Third World nations and people. This is the solid, stable, and long-lasting foundation for the development of today's and tomorrow's relations between the CPC and all the friendly political parties in the Third World.

The CPC and the political parties in the Third World are in the same situation and have the same objective of seeking development. They face the same or similar tasks and problems. Many political parties in the Third World, having led the people to the victory of national independence, are now going through the new historical stage of having to consolidate political independence through national economic development. The majority of the Third World nations still have to face the problem of how to eradicate poverty because for a long time in the past they were subjected to imperial and colonial rule and plunder, and because at present they are continuously restricted by the unjust and unfair international economic order. Moreover, for one reason or another, they have to go through many detours in the area of economic construction. Their long-term missions remain the same; to consolidate national independence, develop national economies and cultures, improve people's lives, and help their societies progress continuously. The Chinese revolution, led by the CPC, succeeded, and China entered socialism directly after semicolonialism and semifeudalism. After we established the economic system based on the public ownership of the means of production, we had to depend mainly on our own ability to accomplish large-scale economic construction and build an independent and more comprehensive industrial structure and a national economic structure. But a poor and backward condition cannot be changed in a day. To achieve the objective of leading a comfortable life and reaching the average living standard of a developed country will take a longer time, involving arduous struggles. The common character or similar characteristics of the tasks and problems facing us and the Third World further link us closely together.

What is more important is that China and the Third World nations are developing countries; even though our social systems are not the same and our national situations are different, we have the same common interests and we have no basic conflicts or contradictions. The nations share many common languages when it comes to finding solutions for their own domestic problems. Also, when it comes to international affairs, they often share the same viewpoint on today's world. We all hope to have a just and rational new international political and economic order, and we all hope for peace and stability in the world. As early as May 1984 when Comrade Deng Xiaoping met with the president of Brazil, Figueiredo, who was visiting China, he solemnly told the world: "China's foreign policy in the 1980's, and in fact in the 1990's, even into the 21st century, mainly has two lines. One is that we oppose hegemony and defend world peace. The other is that China will always belong to the Third World. This is the foundation of our foreign policy. When we say we shall always belong to the Third World we mean that at present China

is poor, so naturally it stays in the Third World, and that China and all the Third World nations share a common fate. But even when China becomes rich and strong in the future, it will still stay in the Third World. China will never seek to dominate nor to bully others, and we will forever stay by the side of the Third World." (Deng Xiaoping's *Building Socialism With Chinese Characteristics* extra edition, p 43)

The relationship between the CPC and the friendly political parties in the Third World has always followed the principles of independence, total equality, mutual respect, and noninterference in domestic affairs. We will continue to follow the four principles as before in the developing relationship. This basically guarantees a stable and persistent development of relations between our party and the friendly political parties in the Third World. From the beginning to the end the CPC has always insisted that a nation's domestic affairs should be taken care by the people of that country. We respect the choices and experiences of the parties of other countries. We do not stick our noses into the business of other parties and nations. This is the way we treat ruling parties, and this is the way we treat nonruling parties. It is our practice in international relations to refuse to interfere in the internal affairs of other nation's parties, nor do we use party relations to interfere in the domestic affairs of other nations. The establishment and development of relations with other political parties should not be used as a tool to offend third parties. When contacting or making friends with these parties, our party remains warm and friendly, treats everyone equally, respects others, seeks common ground while reserving differences, is humble and learns from others, and is honest and thorough when exchanging information and opinions on issues affecting both parties. The principles and attitudes of the CPC have won the general approval and high opinion of the friendly political parties in the Third World and of the international community. By following the four principles of independence and keeping to the already solid foundation, the relations between the CPC and other friendly political parties in the Third World will develop in a more intensified, more substantial, and more persistent manner.

Assessment of 1991 U.S.-Soviet Disarmament

92CM0219A Beijing GUOJI WENTI YANJIU
[INTERNATIONAL STUDIES] in Chinese
No 1, 13 Jan 92 pp 9-15

[Article by Liu Huaqiu (0491 5478 4428), researcher of the China National Defense Scientific and Technological Information Center: "Comments and Analysis of U.S.-Soviet Nuclear Disarmament in 1991"]

[Excerpts] In 1991 U.S.-Soviet disarmament made fairly great progress. The two sides signed "Strategic Arms Reduction Treaty" (START) and announced unilateral tactical nuclear arms reduction plans.

Compared to SALT I and II, this treaty is undoubtedly an advance. It limits the development of Multiple Independently-Targetable Reentry Vehicle [MIRV] warheads and sets forth some concrete measures for on-site inspection,

thus helping strengthening trust between the two sides and carrying out further nuclear disarmament. However, the treaty itself is seriously flawed, falling behind the currently relaxed U.S.-Soviet relation. Although it has a certain amount of political influence, it has little military significance. Basically it has maintained the original U.S.-Soviet military relation and the strategy of nuclear deterrence.

An important progress is the unilateral nuclear arms reduction plans made by both sides. They are conducive to the stability and relaxing of world situation, but reduced mainly are tactical nuclear weapons. The issue of further reducing the huge strategic nuclear arsenal has seldom been mentioned.

The key to realizing nuclear disarmament lies in the complete abandonment of the expanded deterrence strategy by the United States and the Soviet Union.

In recent years, enormous changes have occurred in the world situation. Although complicated, intense, and turbulent situations still exist in some regions, since the U.S.-Soviet relation, which has long been the main conflict of the world, has improved, the East-West confrontation has basically disappeared. This new situation has accelerated the process of the U.S.-Soviet nuclear disarmament.

The year 1991 was one in which U.S.-Soviet disarmament made fairly great progress. In the area of strategic nuclear weapons, the United States and the Soviet Union signed START; in the area of tactical nuclear weapons, they announced unilateral reduction plans. This progress of U.S.-Soviet nuclear disarmament has caused great repercussion in the world. What does the U.S.-Soviet nuclear disarmament actually contain? What are the backgrounds of its occurrence? What significance and influence does it have? This article will briefly introduce and discuss these issues. [passage omitted]

Compared to the "Interim Agreement on the Limitation of Offensive Strategic Weapons" (SALT I) signed in 1972 and the "Treaty on the Limitation of Offensive Strategic Weapons" (SALT II) signed in 1979, this treaty is undoubtedly an advance. SALT I and II only limited the number of carriers and basically did not limit the number of warheads. As a result, the United States and the Soviet Union vigorously developed MIRV warheads and deployed on missiles as many warheads as possible, giving rise to MX and SS-18 intercontinental ballistic missiles which carry 10 MIRV warheads. A MIRV ballistic missile can in itself disrupt the targets of attack because one needs to use only one or two warheads to shoot down up to 10 of the other side's warheads. Conversely, in a crisis situation, the side which owns such missile is often confronted with the "use-it-or-lose-it" dilemma which may prompt it to launch a preemptive strike. Obviously, MIRV warheads are detrimental to strategic stability. START limits the number of not only carriers but also warheads, thus limiting to a certain degree the development of MIRV warheads.

Secondly, START sets forth 12 measures for on-site inspection and the regular exchange of information on the number, location, and technical performance of relevant

strategic arms systems. This enables each side to better understand the activities and development situation of strategic weapons of the other side, thereby easing each other's guard against the other and helping to build trust between the United States and the Soviet Union and to carry out further disarmament.

However, the treaty itself is seriously flawed. It lags behind the currently relaxed U.S.-Soviet relation.

1. According to the information of the U.S. Arms Control Agency, the number of U.S. strategic warheads has been reduced from 11,714 to 9,480, and that of Soviet strategic warheads from 10,741 to 7,160 (see table below). The reductions are only about 26 percent, far from what the U.S. and Soviet advocated before, which was 50 percent. If we include sea-launched long-range nuclear cruise missiles, the percentage of the reductions will be even lower. Compared to the number of strategic warheads owned by both sides in 1982 when the talk just began, there has been basically no reduction.

2. Like the INF treaty, START allows the retention of warheads, thus reducing the real significance of the treaty. Downloaded warheads may be deployed directly on other carriers (such as the W85 warheads, which were downloaded from Pershing II ballistic missiles according to the INF treaty, have been made into B-61-10 cruise missiles). Or nuclear materials may be recovered from downloaded warheads to be used for the reproduction of other nuclear warheads. Nuclear warheads are the critical component of nuclear weapons. If they are not destroyed, it is very difficult to really carry out disarmament.

3. START still allows the retention of large numbers of warheads which are detrimental to strategic stability. Of the quota of 4,900 intercontinental and submarine-launched missile warheads, the overwhelming majority will be MIRV warheads. Some measures have been adopted to reduce the number of MIRV warheads that can be deployed on each missile, which is conducive to strengthening strategic stability. Such measures, however, are adopted essentially only to avoid the destruction of more carriers because there is still room in the quota of 1,600 strategic missiles.

4. START leaves an opening for future U.S.-Soviet qualitative arms race. In addition to those that are banned clearly, the treaty allows the modernization and upgrade of strategic weapons. The United States is developing single-warhead intercontinental midget missiles. It is also considering the development of drilling nuclear warhead for Minuteman missiles. The Trident II missiles of the U.S. Navy are already in service. It is reported that the precision of such missile can reach 120 meters, showing that the U.S. sea-based strategic arms system has obtained the ability to attack hard targets. The Soviet Union is continuously producing SS-18 missiles and replacing Model 1, 3, and 4 with Model 5 which carries 10 warheads and Model 6 which carries a single warhead. According to our preliminary estimate, along with upgrading the weapons, by the end of the 1990's, the ability of the United States and the Soviet Union to attack hard targets will be increased rather

then reduced. No wonder some high-ranking U.S. Government officials and experts commented: "You are wrong if you think this treaty can control arms. It does not forbid the production of new weapons, nor has it substantially reduced arms." "The purpose of this treaty is to bring about a more stabilized parity through the method of rebuilding the arsenal."^{4 5} The announcement of the U.S. Natural Resources Protection Agency hit the mark with a single comment: "Perhaps the most outstanding characteristic of this treaty is that it allows" the modernization of arms.⁶

This shows that although it has certain political influence, START has little military significance. It basically maintains the original U.S.-Soviet military relations and the strategy of nuclear deterrence. [passage omitted]

The unilateral arms reduction plans of the United States and the Soviet Union are an important progress in the field of disarmament. First, its reduction is on a larger scale. It is reported that the United States will withdraw from West Europe and South Korea and destroy 2,150 nuclear bombs and short-range tactical missile nuclear warheads, remove 100 Tomahawk nuclear cruise missiles from surface warships and attack submarines and 400 ship-carried nuclear bombs and anti-submarine deep-water nuclear bombs.⁹ According to the estimate of Pentagon, the Soviet Union will remove 12,000 tactical nuclear weapons corresponding to those of the United States. Second, the U.S. and Soviet removal of long-range nuclear cruise missiles from the sea (such as U.S. Tomahawk and Soviet SS-N-21 missiles) is an important progress. This category of missiles was not officially included in the treaty during the START talks due to some disputes. Now both sides announced that they will be removed. This can be considered as a great step forward in the direction of the final solution of this problem. Third, the unilateral arms reduction of the United States and the Soviet Union progressed rapidly and efficiently. In comparison, the START treaty succeeded only after nine years of negotiation. Fourth, they proposed the destruction of nuclear warheads for the first time. This is a step forward compared to the START treaty. However, this is not real destruction. Real destruction should be turning military-use fissionable materials into nonmilitary use fissionable materials. What the United States and the Soviet Union are doing is only downloading nuclear warheads. U.S. Defense Secretary Cheney said that the components of downloaded warheads will be put in the arsenal again and may be used to produce even more advanced warheads.¹⁰

Tactical nuclear weapons are a kind of "low nuclear-threshold" weapon. Its number is great. It is deployed over a wide area. Its control is not as strict as that of strategic nuclear weapons. It has always been a factor of instability. The unilateral nuclear reduction plans of the United States and the Soviet Union have undoubtedly benefited the stability and relaxation of the world situation. As a result, they are widely welcomed by all countries of the world.

On the other hand, the United States and the Soviet Union are readjusting their strategies to adapt to the current new situation. Soviet National Defense Minister recently said

that the past Soviet military principle "rational adequacy" is not rational and needs to be changed to "adequate rationality."¹¹ Bush announced that the new U.S. national defense strategy will concentrate on the issue of regional conflicts instead of the prospect for the occurrence of global confrontation. For this, he demanded "maintaining necessary military forces," "maintaining reliable nuclear deterrence," and "preserving national strength to rebuild U.S. military power when necessary."¹² Therefore, U.S. Soviet unilateral arms reductions are an inevitable outcome of adapting to the development of the trend and readjusting military strategies according to their own interests.

1. Due to the disintegration of the Warsaw Treaty, the reunification of Germany, the signing of the conventional force reduction treaty in Europe, and the drastic change in the Soviet Union, tactical nuclear weapons originally deployed by the United States and the Soviet Union in Europe have lost their intended targets. In addition, the calls of European countries for the removal of tactical nuclear weapons are growing stronger and stronger each day. Under this situation, U.S. and Soviet removal of land-based tactical nuclear weapons is actually to take advantage of the opportunity to gain initiative.

2. Many republics of the Soviet Union have declared independence. It is possible that the nuclear weapons deployed in the territory of these republics (especially tactical nuclear weapons) might lose control. The United States proposed in a timely manner to destroy land-based tactical nuclear weapons and urged the Soviet Union to do the same. One of its purposes was to prevent the loss of control and proliferation of nuclear weapons. It is out of this same purpose that Gorbachev responded vigorously.

3. The general election of the United States is approaching. According to the analysis of foreign newspapers and periodicals, Bush seized the golden opportunity to do what he did before he announced running for another term, and made things difficult for the Democrats.¹³ Lay down weapons to seek peace has always been one of the Democrats' slogans. Bush sealed the lips of the Democrats with real action, thus gaining an edge in the 1992 general election. Taking advantage of this opportunity, Gorbachev responded vigorously. He consolidated and expanded his influence on the one hand and tried his best to satisfy Bush's demands on the other. To everyone's surprise, he even agreed to consider the U.S. proposal on building a joint nuclear attack advance warning system composed of land- and space-based missiles. He used this to please the West and seek the economic aid of the West.

4. In spite of their cooperation, the U.S. and the Soviets care about different things on certain issues. Through the START treaty, the United States cut Soviet SS-18 heavy intercontinental missiles down to half and weakened the Soviet advantage of land-based intercontinental missiles. This time, it proposed again to jointly eliminate all multiple warhead intercontinental missiles in an attempt to eliminate all of Soviet SS-18 missiles and did not even mention submarine-launched ballistic missiles where the United States has an advantage. It is obvious that the Soviet Union would not agree. In the meantime, the Soviet

Union proposed that it unilaterally suspend nuclear testing for 1 year since the two Soviet nuclear testing grounds of Kazakhstan and Shantar island could not be used because of the current domestic situation. Nevertheless, the Soviet Union urged other nuclear nations to do the same. It also proposed that nuclear nations make joint announcement on not being the first to use nuclear weapons. It looks like that they cannot be easily accepted by the United States.

III. The U.S.-Soviet disarmament made fairly great progress in 1991, but it still has a long way to go in meeting the requirements of international community. Because of the existence of various flaws, the U.S.-Soviet START treaty has always been criticized by world opinion. Foreign strategic analysts generally believe that this treaty is only a very small step forward in the correct direction. U.S. and Soviet unilateral nuclear arms reductions involve many areas, but mainly tactical nuclear weapons and seldom the issue of further reducing the huge strategic nuclear arsenal. According to START, the United States and the Soviets can retain 9,000-plus and 7,000-plus strategic nuclear warheads respectively. Although the Soviet Union unilaterally announced that it will make some more reductions, strategic nuclear warheads owned by the two countries add up to over 95 percent of the total number of strategic nuclear warheads in the world. John Pike of the U.S. Scientists' Association commented: "The key issue is that even if the United States and the Soviet Union have both eliminated sea-launched cruise missiles and nuclear guns, they still own enough long-range nuclear weapons to destroy the world."¹⁴ Under this circumstance, although NATO has decided to cut 80 percent of tactical nuclear weapons deployed in Europe, it warned against eliminating all of the nuclear fighting capacity of NATO. British Prime Minister Major expressed willingness to cut some of tactical nuclear weapons, but he emphasized that Britain will continue to carry out the Trident nuclear missile plan. Because the Soviet Union still remains a nuclear superpower, the Trident plan is "the minimum necessary defense plan." French President Mitterand said that there is no need for France to copy the United States because the scale of French submarine missile force is very small and cannot compare with that of the United States.¹⁵ French Defense Minister also said that France does not have any plan to reduce strategic weapons. France did not enter the arms race, so it would not enter the arms reduction race either. As long as it owns nuclear weapons, France would never stop nuclear testing.¹⁶ China welcomed U.S. and Soviet unilateral arms reduction plans, but it emphasized that the United States and the Soviet Union own the greatest nuclear arsenals, so they have a special responsibility and are obligated to be the first in stopping testing, producing, and deploying nuclear weapons. They should be the first to substantially reduce the various types of existing nuclear weapons.^{17 18}

It is self-evident that the key to across-the-board nuclear disarmament lies in whether or not the United States and the Soviet Union can abandon completely the expanded strategy of nuclear deterrence, change offensive to defensive deterrence, and use nuclear weapons for the one and

only purpose of stopping nuclear wars. Only in this way is it possible for the United States and the Soviet Union to carry out large-scale reductions in the strategic nuclear arsenal. Only in this way is it possible for nations of medium nuclear capacity to enter into the process of nuclear disarmament, to jointly discuss and work out steps for across-the-board nuclear disarmament, and to gradually realize the ultimate goal of completely banning and thoroughly destroying nuclear weapons.

Table of Contrast Between the Existing Number of U.S. and Soviet Strategic Nuclear Warheads and the Number Allowed To Be Retained According to START

Category	U.S.		U.S.S.R.	
	Existing number	Allowed to be retained	Existing number	Allowed to be retained
IBM nuclear warheads	2,450	1,444	6,595	3,028
Submarine-launched ballistic missile nuclear warheads	5,056	3,456	2,810	1,872
Bomber nuclear cruise missile and short-range missile nuclear warheads	2,608	2,720	616	960
Air-launched long-range nuclear cruise missile warheads	1,600	1,860	720	1,300
Total	11,714	9,480	10,741	7,160

This table is based on the data released by the U.S. Arms Control Commission.

Footnotes

1. "Briefing of the U.S. Arms Control and Disarmament Agency," 29 July 1991.
2. "Summary of U.S.-Soviet START Treaty," published by the White House of the United States, 31 July 1991.
3. English report from Moscow, UNITED PRESS 31 July 1991.
4. English report from Washington, UNITED PRESS, 2 August 1991.
5. WASHINGTON POST 30 July 1991.
6. Same as 5
7. English report from Washington, XINHUA NEWS AGENCY, 27 September 1991.
8. Russian report from Moscow TASS 5 October 1991.
9. English report from Washington UNITED PRESS, 28 September 1991.
10. Same as 9.
11. YOMIURI SHIMBUN of Japan, 30 September 1991.
12. Same as 7.

13. UNITED MORNING PRESS of Singapore, 1 October 1991.

14. English report from Washington, REUTER, 27 September 1991.

15. "International Pioneers' Forum," 7 October 1991.

16. FRENCH NEWS AGENCY report, 16 October 1991.

17. XINHUA NEWS AGENCY, Beijing report, 29 September 1991.

18. XINHUA NEWS AGENCY, Beijing report, 7 October 1991.

SOUTHEAST ASIA/PACIFIC

XINHUA Notes 'Normal' Situation in Burma

OW2704123092 Beijing XINHUA in English
1129 GMT 27 Apr 92

["Round-up: Situation in Myanmar's [Burma] Capital Normal"]

[Text] Yangon [Rangoon], April 27 (XINHUA)—The situation in Myanmar's capital of Yangon has been normal since the State Law and Order Restoration Council (SLORC) announced that General Than Shwe has undertaken the responsibility of the SLORC chairman with effect from April 23.

The 59-year-old SLORC chairman has also taken the three posts of commander-in-chief of the defense services, the prime minister and minister for defense.

Change in the leadership of the SLORC from Senior General Saw Maung to General Than Shwe caused no particular reaction from among the general public.

In the past few days, markets in the capital are busy as usual, commuter traffic operates as before and there are also regular Buddhist service activities. Schools are now on summer holidays and universities and colleges have remained closed since last December.

According to the official newspaper WORKING PEOPLE'S DAILY, Maj-Gen Khin Nyunt, first secretary of the SLORC, attended a ceremony of newly-commissioned railway overhead bridge and inspected venues for national sports festival on April 26.

Maj-Gen Myo Nyunt, SLORC member, commander of the Yangon Command and minister for religious affairs, appeared on public occasions on April 25 and 26.

Since General Than Shwe has taken the post of the SLORC chairman, there have been signs that the policy implemented by the new authorities has become more realistic.

A group of politicians including Former Prime Minister U Nu and some former leading members of the winning National League for Democracy (NLD) in the 1990 general election were released in the past two days.

Family members of Daw Aung San Suu Kyi, daughter of late national hero General Aung San and former general-secretary of the NLD, who has been under house arrest

since the general election in 1990, will be given permission to enter Myanmar to visit her.

Meanwhile the SLORC said it will lay down the principles for drafting a constitution within six months.

In a SLORC declaration on April 23, the SLORC decided at a meeting to give leave to the SLORC Chairman Saw Maung.

The declaration quoted the opinion from medical specialists, saying the Saw Maung "urgently needs rest."

But it was learned that some SLORC members including senior ministers who were in hospitals at home or abroad, were absent at the SLORC meeting on April 23.

Three years ago, Myanmar high-ranking military officers headed by General Saw Maung took over the country's power on September 18, 1988, after disturbances took place in the nation. Saw Maung then became the SLORC chairman and supreme commander of the defense services.

After the 1990 general election, the military government promised to transfer the power to a civilian government right after the country drew up a firm constitution.

In the past three years or so, many politicians in the country were arrested, detained or placed under house arrest. A total of 83 political parties were abolished and over 90 persons were cancelled from the list of parliament representatives after the election in 1990.

'Analysis' on Visit of Australia Prime Minister

*OW2704061092 Beijing XINHUA in English
0546 GMT 27 Apr 92*

["News Analysis" by Wang Fa'en: "Keating's Diplomatic Whirlwind With Asian Trait"]

[Text] Canberra, April 27 (XINHUA)—Australia's initiative to integrate the Southern Pacific nation with the Asian region has been highlighted during Prime Minister Paul Keating's first overseas trip to Indonesia and Papua New Guinea from April 21 to 26.

Keating's visit to Indonesia, the first by an Australian head of government since 1983, was particularly eye-catching, and is seen as a change in emphasis of Australia's foreign policy. As Keating puts it, "Asia is where our future substantially lies."

Against such a background that "the cold war strategic structure of Asia is fading," Keating has turned his face towards Asia and Indonesia in particular, despite the fact that relations between Canberra and Jakarta had been soured because of the East Timor issue.

Keating, in the hope of re-establishing the good-neighbor relationship between the two nations, believes that the East Timor issue should not cloud Australia's relationship with Indonesia.

During Keating's talks with Indonesian President Suharto, bilateral political and economic ties, and even military

cooperation between the two nations, as well as regional security and cooperation, were top on the agenda of their meetings.

In what to be [as received] "a new era of mutual understanding" between the two countries, Australia and Indonesia signed five agreements covering extradition, the prevention of double taxation, fisheries cooperation, water supply project for East Timor and the establishment of a joint ministerial forum that will meet every two years.

Australia believes that in terms of economy and national security, it could benefit from a geographical neighbor pursuing economic growth and social stability and that the two countries share a fundamental interest in the strategic stability in the region.

Another one of what the local press called the "modest successes" of Keating's visit was to focus attention on the Asia-Pacific as an economic entity. During his visit to Indonesia, Keating proposed holding a regular regional summit of heads of government based on the Asia Pacific Economic Cooperation (APEC) forum in a bid to confront the increasing threat posed by the obvious regional economic blocs.

But, Suharto endorsed in principle the proposal with a cautious response. While considering the summit to be inevitable, Indonesia believes that it is not a matter of "whether" such a regular regional summit would be held but "when," and that the "right preparations" needs to be made.

Observers here hold that Indonesia's cautious acceptance of the plan is largely because some countries in the Asia-Pacific region have reservations on it and the United States is facing the presidential election this year.

They also believe that there are several reasons for Australia to shift the emphasis of its foreign policy to the Asia-Pacific region.

First, the apparent emergence of European and American economic blocs poses a major threat to Australia's traditional markets and Australia will find it harder to compete in the above-mentioned markets.

Secondly, Asian countries, North-eastern Asia in particular, have complimentary economies to Australia.

Thirdly, Asia will be the fastest growing region of the world for the rest of the century and probably well into the next century.

Maybe, these also could be the footnotes that Keating has started his diplomatic initiative characteristic of Asia first in Indonesia and that Australia wants to have closer economic relations with Asian countries. Or, as Keating says bluntly, Australia will be placed "among the world's economic museums."

Scientific, Technical Workers' Bonuses Viewed

92CM0242D Shanghai JIEFANG RIBAO in Chinese
20 Feb 92 p 2

[Article by Chun Xia (2504 1115): "Commentary on Jumbo Bonuses for Scientific and Technical Workers"]

[Text] Zhuhai Shi is offering special bonuses to scientific and technical personnel with exceptional contributions: a cash award ranging from 300,000 to 1 million yuan, an Audi sedan, an upscale apartment. Lavish prizes like these are truly shocking in China today. They have prompted a range of opinions in the media and set me thinking, too.

These days we often bemoan the fact that "one is better off selling tea-leaf eggs than making atomic bombs" or that "wielding the scalpel is not as good as wielding the razor." People who make millions playing the stock market or buying and selling foreign exchange are no longer newsmakers. One after another, singers and comedians become millionaires. Even the first prizes in some market promotions are worth as much as hundreds of thousands of yuan. Why, then, is the idea of offering jumbo bonuses to S&T personnel with "exceptional contributions" regarded as "unreasonable" and why does it provoke such strong reactions? The significance of this move on the part of Zhuhai Shi is that it represents a breakthrough in thinking. It matters little even if it is not widely followed. If there are a few S&T personnel in China who become millionaires because of their outstanding contributions to society, it can only be for the good. This is a big country. Our economic prowess is still not strong, but if we set our sights on setting up a "Chinese Nobel Prize" or something like it, we shall probably be able to do it. Nobody even thought of offering such jumbo bonuses until now. It is argued by some that intellectuals are now underpaid. The most important thing is to raise their pay generally instead of awarding the cream of the crop. The fact of the matter is that offering huge bonuses to a few S&T personnel with exceptional contributions does not hinder but actually will help the effort to raise pay for intellectuals in general. Besides, there are always differences between things. Even an across-the-board increase in pay does not mean raising wages all around by the same percentages. Moreover, not every S&T worker can be considered top-notch. Only the most outstanding people in the S&T corps are capable of making "exceptional contributions." Offering them jumbo bonuses can only spur the rank-and-file intellectuals to excel through competition.

"A gilded wing will never be able to soar in the sky." People skeptical about jumbo bonuses have quoted this saying by Ivan Turgenev. It is a beautiful and deeply philosophical expression. But I would frankly say that it is misapplied here. Those who quote this saying suggest that give a scientific worker money, a car, and a nice house, and he would be so preoccupied with them that he will no longer be able to soar to great heights. To put it differently, when people are well-fed, they develop evil desires. If you follow this line of thinking, you can arrive at just one conclusion: "Poverty builds character." The worse off your material conditions, the more likely you are to achieve something. Actually, what is there to stop us from

assuming just the opposite, that with more money in hand, a scientific worker will be able to hire a housekeeper and be relieved of domestic chores? He will be free to purchase the additional equipment and materials necessary for his research. Equipped with a car, he will be able to spend more time on S&T research. A nice apartment also would mean better living and working conditions for the worker, which would only help him come up with more scientific achievements. Surely we cannot regard money and other material things as corrosives. Otherwise, the giant in chemistry must have established the Nobel Prize to ruin the scientists. Generally speaking, exceptional contributions are the outcome when the talents and creativity of S&T personnel are put to work in an extraordinary way. Even the most outstanding S&T personnel cannot remain in this mode forever. If offering jumbo bonuses is like burdening a bird, who then can guarantee that depriving a worker of huge bonuses will enable him to make outstanding contributions forever?

At the heart of the entire debate on jumbo bonuses is not how much money would constitute a reasonable bonus, but our thinking. Is this not what the whole issue is about?

Deng's Development of 3-Step Strategy Viewed

92CM0278A Shanghai WEN HUI BAO in Chinese
6 Mar 92 p 7

[Article by Leng Rong (0377 3310): "Deng Xiaoping and the Fashioning of China's Three Step Development Strategy Goals"]

[Text] Editor's Note: The article published in this newspaper today completely reviews and examines in a systematic way, the process whereby the 13th Party Congress arrived at the strategic development goals for China's modernization. During the present process of our adherence to "taking economic construction as the key," it is necessary to deepen understanding of the scientific nature as well as the practical and historical significance of this strategic goal. We believe that people will benefit from a careful reading of this article. During this historically critical time of battling toward the second step strategic goals, we can derive a conclusion from the plentiful practice gained from smooth completion of the first step strategic goals as follows: By unswervingly implementing to the full the party's basic line of "a single center and two basic points," the great strategic goals of the Chinese people can be realized!

Foreword The three step development strategy goals for China's modernization have produced a widespread effect both at home and abroad since Deng Xiaoping proposed them and the 13th Party Central Committee approved them. The 7th NPC announced that China's GNP increased at an average 9.3 percent per year during the period 1981 - 1990, much higher than the average speed of development of the world economy. The past decade has been a period in development of the national economy of most exuberant vitality, most rapid increase in national strength, and most material gains for the people. Our first step strategic goals have been smoothly realized, and a solid foundation has been laid for realization of the second step strategic goals.

Many reasons account for the tremendous successes that have been won. The formulation of a correct development strategy that conforms to reality is, without doubt, one of the most important reasons. While we are overjoyed about the first battle victories, a review and an examination of the process by which Deng Xiaoping came to propose this strategic idea should be very significant.

Earliest consideration of this matter grew out of a conversation Deng Xiaoping had with a foreign guest.

On 6 December 1979, Deng Xiaoping held talks with Japanese Prime Minister Masasuke Ohira, who was visiting China. During the talks, Prime Minister Ohira asked Deng Xiaoping a question: "China has proposed a magnificent modernization plan for the building of a great socialist country from its own individual standpoint. What will China be like in the future? What does the entire modernization blueprint envision?" Ohira's reason for asking this question is related to his own experiences. When the Ikeda cabinet was formed in 1960, Ohira was chief of the Secretariat. At that time, he proposed a plan for a manifold increase in Japan's revenue during the following decade. This plan was realized by 1970, and Ohira played a major role in drawing up Japan's development strategy for modernization.

Ohira's question made Deng Xiaoping think deeply. Following the Third Plenary Session of the 11th Party Central Committee, the CPC Central Committee decided to work wholeheartedly on modernization, but actually little notion existed about what was to be attained or what steps were to be taken to attain it. Ohira's question inspired Deng Xiaoping to think about this problem in concrete terms. He "thought for a minute" after which he proposed a celebrated idea that would affect China's destiny for the next several decades.

He said: The modernization that we want to bring about is a Chinese-style four modernizations. Even should our four modernizations attain certain objectives by the end of this century, our per capita national income will still be very low. In order to reach the level of the more prosperous third world countries—attaining a per capita income of \$1,000, for example—we will have to make a very great effort. Even assuming we reach such a level, we will still lag behind the west. I can only say that China will still be just "comparatively well-off."

Deng Xiaoping mentioned this conversation several times subsequently, saying that the ideas of a Chinese-style modernization, \$1,000, and a relatively well-off society were shaped in that conversation. The presentation of such an important idea was seemingly a fortuitous event. It is only after thinking about it for a little while that one realizes that it actually did not spring from a sudden inspiration of Deng Xiaoping alone, but that it had an important perceptual background. It had gone through a fairly long process of understanding on the part of the whole Party. As Deng Xiaoping himself said later on, "Naturally, this answer was not precise, but neither was it off the top of the head."

The task of modernizing China was first proposed by Mao Zedong and Zhou Enlai in December 1964 at the first meeting of the Third NPC. The broaching of this task holds important significance. However, due to the effect of the erroneous policy of "taking class struggle as the key link" and the 10 years of turmoil, we were unable to concentrate energies on modernization. In addition, under direction of "leftist thought" a tendency toward rash advance was manifested in the building of the economy, some overly high and unrealistic goals and slogans put forward. This situation continued until 2 years after Hua Guofeng took charge of the work of the CPC Central Committee following the smashing of the "gang of four." At the end of 1978, The Third Plenary Session of the 11th Party Central Committee was convened. It revived the ideological line of seeking truth in facts, and effecting a change in the Party's work emphasis. In considering modernization, the CPC Central Committee drew on the lessons of history, first spelling out the following idea: diligent study of China's circumstances, "setting specific avenues, plans, methods, and measures for the four modernizations based on realities in China." At that time, Comrade Chen Yun made a very incisive remark as follows: "We must be realistic about the conditions under which we are working on the four modernizations to build a powerful socialist country. We must always clarify the facts. Unless this matter is clarified, nothing can be clarified." He emphasized that this is "the point of departure for the construction blueprint" that we design. At that time, the CPC Central Committee and the State Council convened a series of meetings at which Deng Xiaoping and numerous leading comrades expressed important ideas. They pointed out that since China is a vast country with a large population, little accumulated wealth, and a poor foundation, development goals could not be set too high, nor could the time for realization of modernization be too short. It was on the basis of this perception that the CPC Central Committee proposed the task of economic readjustment, and also laid the foundation for beginning soon thereafter the drawing up of the scale and speed of development of the Sixth Five-Year Plan. The goal of a comparatively well-off standard of living that Deng Xiaoping proposed was also founded on this perception. This point may be seen clearly from its several special features.

Seeking truth in facts is the greatest feature of the comparatively well-off goal. Deng Xiaoping has repeatedly emphasized that this is not a high goal. All that has to be attained is the standard of living of the more prosperous countries of the Third World, which is still backward by comparison with the developed countries. He set the development goal for the period from the early 1980s to the end of the present century at quadrupling, rather than sextupling or octupling the GNP. By comparison with the seemingly heartening but actually Arabian Nights-style illusionary goals presented in the past, this seems low-key, but it is consistent with the country's realities. This goal sets an annual average 7.2 percent increase in GNP for 20 years. Development during the past 10 years, which showed an

annual average increase of more than 9 percent, fully demonstrates that the comparatively well-off goal is geared to China's realities.

The comparatively well-off goal is a strategic development goal that has been quantified, clarified, and made specific over a fairly long period of time in China's modernization. This is another one of its important features. In proposing this concrete goal, Deng Xiaoping adopted the method commonly used in numerous countries of using per capita income and converting it into United States dollars. China never used this method heretofore. Possibly he used it at the time for convenience in understanding since the person to whom he was talking was a foreigner. However, more importantly, this shows that Deng Xiaoping was thinking about China's development strategy in comparison with world economic development. Such a statement not only makes the goal clear and concrete, but it also makes instantly obvious the gap between China and developed nations. Use of this method involves the conversion of numerous statistics and foreign exchange rates. That Deng Xiaoping was able to make such an accurate statement shows his profound understanding of these issues. It also shows that simultaneous with diligent study of China national circumstances following the Third Plenary Session, the CPC Central Committee has also devoted attention to studying and understanding the trend of development of the world economy, and that it has a rather clear understanding of the economic gap between China and the developed nations.

Depiction of the strategic goals of development in terms of improvement of the people's standard of living is the third important feature of the comparatively well-off goal. Subsequently, when describing the three step development strategy goals, Deng Xiaoping's proposed "sufficient food and clothing model," and "moderately developed country standard of living" also expressed this point. In the past, we made mistakes in building the economy in not giving sufficient attention to improvement of the people's standard of living. We owe the people a very large debt. Consequently, following the Third Plenary Session, the CPC Central Committee devoted extremely serious attention to this matter, adopting numerous measures that emphasized the need to repay the debt and the need to express the goals of socialist production. Deng Xiaoping also based his thinking about development strategy problems on this perception. In this sense, the terms "sufficient food and clothing model" and "comparatively well-off model" to depict the goals of modernization enable people to understand this goal more vividly and more directly. Today, the concepts of "quadrupling" in 20 years, and the people's standard of living going from a "sufficient food and clothing model" to a "comparatively well-off model" have permeated people's minds. People see clearly from their personal experience in year-by-year rise in their standard of living that this goal requires a gradual process for realization, and thus their confidence and determination to achieve modernization is strengthened.

Without a profound summarization of historical experience, without thorough study of China's circumstances

and the state of the world economy, and without the deep thought and mature consideration by the collective CPC Central Committee leadership following the Third Plenary Session, Deng Xiaoping would have been unable to propose this idea. Furthermore, Deng Xiaoping's position as a strategist possessed of an ideological style and mode of thought enabled him to be adept at occupying the strategic heights, to grasp the historical moment, and to imagine the future from a new perspective and with a richly imaginative and original conception was, no doubt, also an important reason that he was able to seize a fortuitous opportunity to propose this idea.

Following study and validation by the collective leadership of the CPC Central Committee and theoreticians, Deng Xiaoping's proposed comparatively well-off goal was affirmed a scientific idea. In November 1981, this idea was written into the government work report of the Fourth Meeting of the Fifth NPC for the first time. In September 1982, the 12th Party Congress affirmed it to be a goal for struggle by the whole Party and the people of the whole country until the end of the present century.

I

Realization of the comparatively well-off goal by the end of the present century was proposed by Deng Xiaoping on the basis of profound summarization of historical experience, thorough study of China's national circumstances and the world economic situation, and deep thought and mature consideration by the CPC Central Committee collective leadership following the Third Plenary Session. Deng Xiaoping's position as a strategist possessed of an ideological style and mode of thought enabled him to be adept at occupying the strategic heights, to grasp the historical moment, and to imagine the future from a new perspective with a richly imaginative and original conception was, no doubt, also an important reason that he was able to propose this idea.

The seeking of truth from facts is the greatest feature of the comfortably well-off goal. The strategic goals for development that have been quantified, clarified, and made specific during a fairly long period of China's modernization, as well as the portrayal of strategic development goals in terms of improvement of the people's livelihood are two additional important features.

Following his proposal of the comfortably well-off goal, Deng Xiaoping went on to conceive China's development strategy for the 21st century, gradually fashioning the complete conception of a three step strategic development goal.

Why did he go on to propose a development strategy for the next century? This has to do with changes in the CPC Central Committee's perception of the time required for China's modernization. At one period, we set the time required for modernization at the end of the present century, proposing "realization of the four modernizations by the end of the present century." Following the Third Plenary Session, the CPC Central Committee had a profound perception of the arduousness and the long-term nature of the country's modernization. It realized that this

task could not be completed by the end of the present century. The time required for modernization would have to be lengthened. It would have to be done in several stages. In March 1979, Chen Yun said, "We are very poor, while at the same time, we want to modernize within 20 years, i.e., by the end of the present century. This is a contradiction." In a September 1979 speech commemorating the 30th anniversary of the founding of the people's republic, Comrade Ye Jianying said: "China's modernization will require a process that goes from an elementary to a high stage." *Decisions on Various Historical Problems in the Problem Since Founding of the People's Republic*, which the Sixth Plenary Session of the 11th Party Central Committee passed in June 1981, further stated: "the goal of modernization is to be realized step by step and in stages." Even though the formulation "modernization by the end of the present century" continued to be used during this period, its implication gradually changed. No longer was it used in the sense of completion but in the sense of stages. In September 1982, after the 12th Central Committee set the specific goal of a quadrupling by the end of the present century, this formulation ceased to be used. In October 1987, the political report of the 13th Party Congress suggested that only after attaining the level of a moderately developed country by the middle of the next century would China be "basically modernized."

Deng Xiaoping understood this problem very early on. His first proposal of the comparatively well-off goal in December 1979 clearly implied this idea. Realization of the comparatively well-off goal by the end of the present century is only the preliminary goal of modernization. It is the "minimum goal."

He made the following explanation: When I talk with foreigners, I use a new term— Chinese-style modernization. Formerly we spoke of realizing the four modernizations by the end of the present century. Later on, we modified this statement to a Chinese-style modernization for a slight lowering of the goal. In a speech he delivered in December 1980 titled *Implement the Readjustment Policy to Ensure Stability and Unity*, he said that once the comparatively well-off goal was attained, it would still be necessary to "continue to move ahead for gradual attainment of a greater degree of modernization."

However, conditions for proposing specific higher goals obviously were not in being at that time. No sooner was the comparatively well-off goal proposed than its correctness was put to the test of practice. Only practice could attest to the correctness of the speed of development that the comfortably well-off goal set, and only through practice was it possible to predict and propose correctly the strategic development goals of the next century.

Just what did practice show about the comfortable well-off goal?

During the early 1980's, complete success was achieved in bringing order out of chaos and economic readjustment, major advances scored in rural reform. During those years, the news that the State Statistical Bureau relayed each golden autumn season was always so exciting. The Sixth

Five-Year Plan called for an average annual economic growth of between 4 and 5 percent from 1981 through 1985. In reality, the gross output value of industry and agriculture increased 8.7 percent in 1982, 10.2 percent in 1983, and 14.2 percent in 1984. In this year alone, China's grain output reached an all-time high. During the early spring of 1983, Deng Xiaoping made an inspection tour south of the Chang Jiang where he saw with his own eyes a scene that no statistics could convey, and that pleased both the eye and the mind even more than the spring scenery in the south. On his way back to the capital, someone asked him his impressions about this trip. The ordinarily not very communicative Deng Xiaoping said but a single sentence: "Jubilant everywhere." All this confirmed Deng Xiaoping's confidence about quadrupling the gross output value of industry and agriculture. In a meeting with Yang Zhenning [2799 2182 1337] in December 1983, Deng Xiaoping said with complete confidence: On the basis of experience during the past several years, there is hope of realizing the goal of a quadrupling before the end of the present century. In a meeting with Chinese-American scholars Wu Chien-hsiung [0702 0256 7160] and Yuan Chia-liu [5913 1357 7511] on 20 September 1984, he said even more affirmatively that realization of the comfortably well-off goal is assured.

1984 was an extremely lively year in the thinking of Deng Xiaoping. At the beginning of the year, he toured the third special economic zone at Shenzhen. Upon returning to Beijing, he proposed further expansion of the opening to the outside world. With the formal agreement between China and the United Kingdom on the Hong Kong issue, he completed his thinking about "one country, two systems." In October, the Third Plenary Session of the 12th Party Central Committee convened, and made major decisions about urban economic system reform. Guided by this thinking, a situation of all around reform and opening to the outside world occurred in China. It was also in this year that Deng Xiaoping summarized plans and policies since the Third Plenary Session of the 11th Party Central Committee, setting forth in a relatively systematic way his thinking about the building of a distinctively Chinese brand of socialism. A more complete blueprint for China's modernization was taking shape in his brain.

II

Practical success with the comparatively well-off strategic goal enabled Deng Xiaoping to think further about completion of this strategic idea from 1984 onward. By 1987, he fully expressed ideas for the three step development strategy for China's modernization from the 1980s to the middle of the next century. The setting of this goal, which resolved a crucial problem in China's modernization, was a major contribution that Deng Xiaoping made.

In a meeting with Former British Minister of Foreign Affairs Geoffrey Howe on 18 April 1984, Deng Xiaoping said that by comparison with our overall goals, developments during the past several years were only a beginning. Following attainment of the comparatively well-off goal, we will still need between 30 to 50 years during the next

century to approach the developed nation level. He subsequently repeated this idea many times. On the basis of a series of conversations and speeches he made after March 1986, we can see that it was during this year that Deng Xiaoping gradually formed the complete strategic concept of another quadrupling during the next century and complete modernization in three steps. Before the convening of the 13th NPC in 1987, State Statistical Bureau figures showed that the major targets of the Seventh Five-Year Plan could be fulfilled ahead of schedule, thereby showing that the strategic goal of a quadrupling could be realized ahead of schedule. Long-range prospects for China's economic development were more distinct. On 16 April 1987 in a meeting with members of the Hong Kong Special Administrative Zone Basic Law Drafting Committee, Deng Xiaoping suggested following attainment of a comparatively well-off level of \$1,000 per capita "another quadrupling in 50 years to attain a per capita income of \$4,000" "...China will be a moderately developed country. At that time, with a population of 1.5 billion, this means China will have a GNP of \$6 trillion. This is figured at comparable 1980 American dollar and renminbi prices. Such a figure is certainly unprecedented in the world." In this single passage, Deng Xiaoping enunciated extremely concretely and clearly the strategic goals of the next century. Not long after this conversation, in a meeting with Spanish Deputy Prime Minister Gela [phonetic] on 30 April, Deng Xiaoping spelled out the three step strategic development goal concept. He explained it as follows: The nearly 9-year period from the Third Plenary Session of the 11th Party Central Committee at the end of 1978 until the present marks the first step. The set goal for the first step is a doubling during the 1980s. Taking 1980 as the base figure year when GNP averaged only \$250, a doubling means reaching \$500. The second step is another doubling by the end of the present century, per capita income reaching \$1,000. Realization of this goal will mean we have become a comparatively well-off society, impoverished China becoming a comparatively well-off China. At that time, GNP will exceed \$1 trillion. Although per capita income will still be very low, the country's strength will have increased very greatly. Of even greater importance is the goals set for the third step. The third step calls for another quadrupling within 30 to 50 years of the next century. The overall goal is a per capita income of \$4,000.

This statement completely expresses thinking about the three step development strategy for China's modernization for a 70 year period extending from the 1980s to the middle of the next century. It marks the maturation of Deng Xiaoping's strategic thinking about China's modernization. The 13th Party Congress report, which is based on the content of this statement from Deng Xiaoping, formally proposed this strategic task.

The setting of the three step strategic development objectives, which solves key problems in the modernization of China, is a major contribution of Deng Xiaoping.

In the process of presenting ideas on the three step strategic development goals, Deng Xiaoping changed some of his formulations for which an explanation is required.

On a per capita income of "\$1,000, \$800, and between \$800 and \$1,000." When he first presented the comparatively well-off goal, Deng Xiaoping said a per capita income of \$1,000. Later on, he changed it to \$800.00. However, he sometimes also said between \$800 and \$1,000 per capita. This has to do with the ability to synchronize the quadrupling of per capita income with quadrupling of GNP. Deng Xiaoping's first proposal for \$1,000 was based on a quadrupling of per capita income. At that time, per capita GNP in China was about \$250. Quadrupling would mean \$1,000. When the 12th Party Congress formally set a quadrupling task, this was on the basis of the gross output value of industry and agriculture. The 12th Party Congress called for 20 years to quadruple the gross output value of industry and agriculture from the 710 billion yuan of 1980 to about 2.8 trillion yuan. Converted to GNP terms, and figured at constant prices and at the 1980 exchange rate between the renminbi and the United States dollar, this yields a GNP of approximately \$1 trillion by the end of the present century. If population is maintained at the approximately 1 billion of 1980, per capita output value can be quadrupled; however, given a projected 12.5 per 1,000 annual population increase, 20 years hence the population will be about 1.2 billion, so a quadrupling of per capita income will be impossible. Consequently, formal statements about the quadrupling goal have been in terms of GNP. It was also in view of this situation that Deng Xiaoping changed a "\$1,000 per capita" to \$800 per capita in some speeches and conversations. However, in view of the trend of development of the Chinese economy, attainment of a GNP of \$1 trillion by the end of the present century is not impossible. If the speed of population growth can be controlled, a quadrupling of per capita income can be achieved. This will be determined largely on the basis of what Engels termed the "two kinds of production"—"production" and "reproduction." Consequently, Deng Xiaoping subsequently used the flexible formulation of a "per capita income of between \$800 and \$1,000." Today it appears that the country's population will exceed 1.2 billion, or even 1.3 billion, by the end of the present century. This will make realization of a quadrupling of per capita income difficult. However, We must still bend efforts in this direction. This also shows that control of population increase, and adherence to a policy of "increasing the development of production while decreasing population growth" are of major significance for realization of the country's strategic goals by the end of the present century.

On "approaching the level of developed countries," and "attaining the level of moderately developed countries" by the end of the century. In describing development goals for the middle of the next century, for a period of time Deng Xiaoping frequently used the formulation "approaching the level of developed countries." After 1986, he changed the formulation to "attain the level of moderately developed countries." Clearly, this was related to the beginning at that time to set middle of the next century goals on the basis of a per capital GNP of \$4,000. A per capita income of \$4,000 is only the level of a moderately developed country. The change in this formulation is also related to a more objective perception of the development of China's economy at that time. The fairly rapid development of the

economy during the Sixth Five-Year Plan was basically healthy because it was founded on the successful conduct of reform and economic readjustment. This showed that by straightening out various proportional relationship in the national economy, and actively and correctly carrying out reform, we could realize a fairly rapid speed of development. However, evidence of an overheating of the economy also appeared in subsequent developed. Deng Xiaoping was very much concerned about this situation. When the CPC Central Committee convened a national congress in September 1985 to discuss the Seventh Five-Year Plan, Deng Xiaoping said that speed of development during the Seventh Five-Year Plan must not be set too high. "Too high a speed will bring quite a few problems in its train; it will also adversely affect reform and the social atmosphere. Steady as she goes would be better." Subsequently he repeatedly reiterated the need to avoid recommitting past "leftist" mistakes. Such perceptions could not but be reflected in his thinking about development strategy for the next century. Something of this may be seen in some of his speeches at the time. He said that even though we are able to complete the first step goals ahead of schedule, "this does not mean that the second step will be very easy. ...however, the third step will be much more difficult than the second step." He also said that international markets are jam-packed today; it is not very easy for third world countries to move ahead with development. Moreover, as we enter the next century, the competition we face will be quite intensive; continuing to develop will be even less easy. At that time, internationally some people were optimistic about China's development during the next century. One example was the enthusiastic Dr. Jixing [phonetic] who took the initiative in working up a scenario that maintained that China would not take a very long time to attain its goals for the next century. Twenty years would be enough. Deng Xiaoping told him that we are not so optimistic. He believed that setting the goals a little low was beneficial in that it prevented impetuosity. Deng Xiaoping was extraordinarily careful in designing the third step goals. He set the speed of development at only an average 2 percent and suggested from 30 to 50 years for their attainment, "fearing it will take 50 years" for a redoubling to attain the level of a moderately developed country. He also that real realization of this goal would not be simple at all. Arduous struggle and devotion to hard work would be needed to achieve them.

On "national income," "gross output value of industry and agriculture" and "GNP." Today, when we state the three step strategic development goals, it is the GNP indicator that we use. Use of this indicator has also been a process. When Deng Xiaoping began to propose the comparatively well-off level goal, he used national income. However, in the November 1981 government work report of the Fourth Meeting of the Fifth NPC, and in the September 1982 report of the 12th Party Congress, the gross output value of industry and agriculture was used. Because of the difference in figures when different indicators were used to express goals, confusion easily occurred. In 1980, Central Committee General Office Document No 58 forwarded the Central Secretariat research Office's *Reply Regarding*

"Comparatively Well-Off Society" Standards, explaining the method of calculating these indicators. It prescribed the uniform use of GNP in all future statements about the \$800 yuan per capita comparatively well-off goal that Deng Xiaoping proposed. However, the indicators that some periodicals used in expressing this goal during several years thereafter remained fairly confusing. In early 1985, Deng Xiaoping's book, *Building a Distinctively Chinese Brand of Socialism* was published. The State Statistical Committee asked that all statistical units pay attention to this problem when studying this work. Subsequently, RENMIN RIBAO also formally explained the differences among these indicators. In October 1987, when stating the three step strategic development goals, the 13th Party Congress political report used the GNP indicator.

Regarding GNP, theoreticians of the former Soviet Union maintained that in view of Marx's theory on reproduction, only productive labor can create value; non-productive labor does not create value, but GNP also calculates the value of non-productive labor in a reflection of the vulgar political, and economic point of view of the bourgeoisie. Therefore, socialist countries, including China, did not use this indicator. However, Chinese theoreticians hold a different view than the former Soviet theoreticians about the understanding of Marx's reproduction theory, and about the differentiation between productive labor and non-productive labor. Following the Third Plenary Session of the 11th Party Central Committee, China's theoreticians finally reached a turning point on this issue. In 1979, the State Statistical Bureau worked out China's GNP by applying the methods of western countries to China's national income. In commemorating the 30th anniversary of the founding of the people's republic in September 1979, Ye Jianying formally used this indicator for the first time.

III

In the process of proposing the three step strategic development goals, some formulations have been changed and readjusted in a reflection of the goal of always implementing the seeking of truth from facts that Deng Xiaoping proposed and perfected. The modernization and reform in which we are engaged is a brand new endeavor that predecessors never experienced; thus, we must explore through practice, steadily perfecting our perceptions through the development of practice.

Why is GNP used to express the three step strategic development goals? One most important reason is that numerous countries in the world universally use this statistical indicator. Use of this indicator to express our strategic goals makes comparisons with other countries in the world easy. Such comparisons can enable us to maintain a clear head at all times, and maintain a positive sense of pressure and urgency. One might say that this is a necessity in China's opening to the outside world and orientation toward the world. This also reflects the thinking about China in the context of the macroclimate of international economic development of Deng Xiaoping

and the CPC Central Committee when proposing a modernization strategy. As Deng Xiaoping said: We must use international standards for measuring and judging our economy. This is to have a strategic world view.

GNP is a value indicator that is affected by changes in value. When the United States dollar is used to express it, it is also affected by changes in the exchange rate between the dollar and the renminbi. Consequently, when making calculations, one must be sure to use constant prices and exchange rates; otherwise, it is impossible to express objectively the development of the country's economy. In recent years, we have obviously developed, but in some statistics, per capital figures have decline.

We can see from the changes in the foregoing several formulations that Deng Xiaoping implemented the principle of seeking truth from facts throughout when proposing and perfecting the three step strategic development goals. The modernization and reform in which we are engaged is a brand new endeavor that predecessors never experienced; thus, we must explore through practice, steadily perfecting our perceptions through the development of practice. Since the Third Plenary Session of the 11th Party Central Committee, our Party has proposed and drawn up a series of major plans and policies all of which have gone through this process.

Another matter that must be noted here is that strategic development goals having a fairly long range view are approximate; they cannot be highly accurate. Since numerous variables exist in the process of realizing goals, when talking to foreign guests, Deng Xiaoping roughly describes these goals. Even when formally presented in the 13th Party Congress Report, the term "generally" was used. However, this does not impair the solemnity of this goal. We also noticed that because of the complexity of this issue, when formal documents such as the Ten Year Plan and the Eighth Five-Year Plan Program for National Economic and Social Development, which were approved in the 13th Party Congress Report and by the Fourth Meeting of the Seventh NPC, referred to the three goals, they did not use specific figures. This is very prudent.

Center-Locality Division of Power Viewed

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[DEMOCRATIC CHINA] in Chinese
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[Article by Wang Runsheng (3769 3387 3932), former research fellow at the Chinese Academy of Social Sciences, Institute of Political Science, currently a research fellow at the Alliance for Democracy Institute: "In the Chase for Power, No One Controls Their Own Fate—the Waxing and Waning of Power at the Central and Local Levels"]

[Text] In discussing the relationship between the central and local governments, one can speak of actual reality and what ought to be. If we acknowledge that ideals should be established upon a strong and feasible, or relatively feasible foundation, then it is very important to have a firm grasp of present reality and what could happen in the future. Unfortunately, in the two years since the June 4th

Incident, most commentators abroad have released great theoretical barrages from the perspective of what ought to be, elevating local power sharing and autonomy to an article of faith. Without offering a detailed description or analysis of actual conditions, they have leaped to conclusions and exaggerated the degree to which China's various regions have become "economic fiefdoms" (and the significance therein). Some even regard China's disintegration or the implementation of a federal or confederate system as an historical inevitability.

Setting aside for the moment such value-laden terms as "optimism" and "pessimism" and basing our analysis solely upon the facts, we find that the distribution of power between the central and local authorities, and the trends in that regard, have not undergone the great changes that many commentators have claimed.

Signs of Expanded Local Power During the Past Ten Years

Before the Central Committee implemented urban economic reform in 1984, the relationship between the central and local authorities was basically one of highly centralized power—"strong at the center, weak locally." The situation exhibited the following characteristics:

1. The central authorities used medium- and long-term plans (such as the Five-Year Plan) to run the national economy; local authorities merely executed them passively.
2. Authority over fiscal, commercial, human rights, and labor issues rested with the central government.
3. The center was responsible for balancing the fiscal revenues of every region. As it set up development projects, it "treated the nation as a chessboard" and sought to level out discrepancies between rich and poor. The economic benefits of production at the local level were basically unrelated to local fiscal revenues, and local authorities had no choice but to maximize their interests by seeking "favors" from the center.
4. Authority over allocation of materials was concentrated at the center. In particular, the supply of energy resources and raw and semifinished materials was subject to quotas set by the central authorities, and it was traded between different regions at state-set prices.

Due to ideology (which was still effective then), organizational control (the power of patronage rested with the central authorities), and control over materials and funds (which then rested totally in the hands of the central authorities), this system had never encountered a strong challenge up to that point.

After the urban economic reforms, Zhao Ziyang gradually implemented a policy aimed at stimulating local enthusiasm by decentralizing power. After several years during which the reforms, which started with trials in a few provinces and municipalities, gradually spread across the whole country, the following situation has come into existence today:

1. Budgets have been separated and the fiscal relationship between the central and local authorities has been put on a contractual basis. There are three ways of doing this. One is the fiscal responsibility system, used in the provinces of Guangdong and Fujian, in which local authorities keep all revenues collected except for a predetermined sum of money which they must forward to the central authorities. The second is a revenue sharing system used in Beijing, Tianjin, and Shanghai. Once a year, the proper ratio between total local revenues and total local expenditures is set in order to determine the percentage of revenues that the local authorities can retain. The rest is forwarded to the central authorities. The third is a revenue division by category, in which total local revenues are classified into one category for a predetermined fixed income, and another category to account for extra revenues or shortfalls, the former of which are then divided among the central and local authorities according to a certain percentage, and the latter for which the local authorities receive a subsidy from the central authorities. Once the parameters in this revenue sharing system by category have been set, they remain unchanged for five years. Most provinces presently use this system. It is easy to see that there is a contractual aspect to all of these three systems. Although this contractual relationship has not progressed from an administrative to a legal basis, nevertheless, once local authorities tasted the honey of partial economic autonomy, it quickly spurred them to make more demands of the central authorities for greater authority. As for the central authorities, with their authority to mandate gone, their power to run procurement and allocation activities at the local level has been reduced to this contractual aspect. As a result, when the central authorities wish to come up with extra money, they must rely on their still-extant semi-authoritarian face (Deng Xiaoping, for example) to "beg" local authorities. The local share of national fiscal revenues now exceeds that going to the central authorities.

2. Due to the rise of a utilitarian culture and the stimulus of decentralization, an orientation toward local interests has rapidly taken hold. In addition, except for top local Party and government leaders, the great majority of local bureaucrats are all locally born and raised, which means that the power and prestige of top local Party and government leaders is directly proportional to their service of local interests. Although top local Party and government leaders are still appointed by the center, the impetus to increase power and the need to satisfy the political demands of "local bigshots" and the general populace means that they cannot take care of both central and local interests. Furthermore, as autonomy grows, there is more inducement to serve as an official at the local level than at the center, which further strengthens the tendency of officials to identify themselves with local interests. People have thus seen that there is always a round of intense negotiations between local and central officials at the annual working conference of the provincial governor. The former sit their posteriors down on a seat labelled "local interests," and the fact that everyone at the local level is united greatly reduces the risk of losing office.

3. Expansion of the dual track price system and the market economy has led to rapidly expanded movement of goods and capital, and annually decreasing numbers of products subject to rigorous state price control; the allocation of many material goods has become a matter of negotiation between localities or individuals. In addition, some power has devolved from the central to the local level (including authority over personnel, foreign trade, review and approval of some projects, etc.). This has strengthened the ability and desire of local authorities to go their own way, weakened their dependence upon the center, and even led to the rise of the following idea among local officials: We would be better off without that old biddy (the central authorities).

4. Because the different regions are unevenly developed, the national policies of the central authorities have generally focused on some regions at the expense of others, shaking local confidence in the center. As a result, many "princes" approach instructions from central authorities with the attitude that "if it's a good idea, full speed ahead; if it's basically on target, give it a try; if it's not a good idea, ignore it."

Technical Debates of a NonIdeological Nature

If one ignores questions of China's disintegration and reorganization, and sets aside the issue of federal and confederate systems, then, within the framework of highly centralized power, the relationship between central and local authorities becomes primarily a technical issue, not a matter of creed. After several decades of a highly centralized system which has been proven unsuccessful, many people have accepted the following concept: the shortcomings of a highly centralized system outweigh the advantages, there is no need for the government to do what can be accomplished through private initiative, and there is no need for the central government to do what can be done by local governments. This concept has gained wide currency among local bureaucrats. However, there is no indication that a majority of them is so radical as to desire independence from the center or to demand the implementation of a federal or confederate system. Even as they haggle with the central government, they can still accept the existence of a central government and can consent to the minimum expenses (such as funding for national defense, and diplomatic activities, social services, and administrative overhead) necessary to maintain it. In addition, local bureaucrats have thus far shown no opposition to committing a large proportion of funding for scientific research and education to the central budget. Latent controversy now centers on two issues:

First, is it necessary to concentrate financial resources at the center to do a few "big things?"

Second, is it necessary to "treat the whole country like a big chess board," using the financial resources of the center to balance the investments and returns of the different regions?

Apart from a craving for power, considerations of "national conditions" and a view of centralized power as a shortcut to increasing national power still prompts a large

proportion of central bureaucrats and economists to advocate a "strong center, weak locally" situation. They offer the following reasons: a) When local and private capital is insufficient, the center must raise funds to do what local authorities cannot do or are unwilling to do because a given project affects more than any one locality's interests. Such is the case with nuclear power, the Three Gorges Dam, freeways, electrified railways, "Project 863," etc. b) Because the output value of large state-run enterprises currently accounts for one half of the gross national product, they cannot be eliminated even though they are inefficient. Funds for their technological upgrading and internal restructuring can only come from the center. c) The leveling of rich and poor, which is performed by the center, is seen as "proof of the superiority of the socialism" and as a damper upon latent factors of social unrest and political instability. It is also seen as a necessary precondition for balanced development in China, where the level of development in different regions is extremely unbalanced. d) When the central authorities have strong fiscal resources, it helps strengthen the government's ability to use a "visible hand" to effect macroeconomic control and assure stable economic development. e) Given China's disadvantageous position in the world economy, centralizing some power is seen as a curb upon excessive internal competition, as a protection for China's resources and industry, and as a means of increasing income from foreign trade. Conversely, it is thought that excessive local power can lead to artificial market fragmentation and the protection of backward elements, thus preventing efficient allocation of resources and causing a decline in overall economic benefits.

In the opinion of local bureaucrats who oppose centralized power, the reasoning described above is in some cases superficially sound but fundamentally erroneous, and in other cases only half right. For example, the idea of "concentrating resources to do a few big things" is, in their opinion, nothing more than a hankering after big and splashy projects which exhaust people and deplete resources, an approach which has proven repeatedly in practice to incur greater costs than yields. For another example, they feel that the efforts of the central authorities to achieve a balanced distribution of wealth leads only to balanced poverty and that, in the long run, even poverty-stricken regions are served more efficiently by "uneven development strategies" than by strategies seeking balanced development. As for unified planning of foreign trade and foreign currency flows by the central authorities, they feel that this approach hinders resource exploitation by clamping down on foreign exchange outflows, which is equivalent to killing the goose that lays the golden eggs. Such is the nature of their critique of centralized power.

Naturally, one's posterior makes up one's mind; personal interests go far in influencing the policy leanings of bureaucrats sitting in different places. Apart from a minority of upper level figures who intentionally play up to local interests to build up political capital, the power and interests of the majority of central officials wax and wane in a manner more or less directly proportional to the degree to which power is centralized, so most of them

generally uphold a centralized system. For their own part, most provinces and regions, whether rich or poor, can achieve a united front in demanding more autonomy from the center, but their alliance is less durable when it comes to the issue of revenue sharing, since rich regions always try to draw their purses closed while poor localities hope for subsidies from the central government.

Are We Already Strong Locally and Weak at the Center?

Many people feel that China is already strong locally and weak at the center, and that the momentum for further movement in that direction is growing stronger. There are others who feel that today's China is already a federal state without a federal system. There are even alarmists within the Communist Party who speak of the relationship between local and central authorities as a breakup into "economic fiefdoms."

This judgment is exaggerated.

From an economic perspective, although local fiscal resources are growing by the day, the proportion of national goods and capital controlled by the center is not noticeably lower than in other countries with highly centralized systems. If we base our judgment upon the degree of market influence in the economy and upon the vitality of economic development, it would be more accurate to characterize China's most serious problem not as the relationship between central and local authorities, but that between government and society. Some rights which should be returned to the people are still in the central government's hands, and others have been transferred to local governments.

From a political perspective, the center still has the most fundamental control over local authorities in the area of personnel. The vertical leadership structure running from the top to the bottom the Communist Party and the fact that the people in charge at the provincial level are all appointed by central authorities assure partial loyalty to the center on the part of principal local bureaucrats. At the very least, this source of power induces local officials to walk a tightrope between demands from the center and their local interests.

From the perspective of ability to exercise control, authority over the allocation of some resources still remains at the center, as does the power to approve local budgets and any construction investment of significant size. The center still invests a huge amount on infrastructure which everyone competes for, so they are somewhat beholden to the center. In particular, even though it is difficult to take back power which has been decentralized (the costs of doing so are high), power to formulate new policies remains at the center, and the influence of local authorities is still not decisive.

In addition, and perhaps most importantly, apart from minority areas, local bureaucrats still do not make demands with any clear orientation toward a federal system; they generally attempt to expand their autonomy while recognizing a centralized system. First, they demand "concessionary policies" to expand their policy making

powers. Second, they haggle with the center over the percentage of fiscal revenues they can retain.

Of course, if we make a comparison with the relationship between central and local authorities which existed during the first 30 years of Communist Party rule, then we can indeed acknowledge strength at the local level and weakness at the center. This is signalled by the fact that the era of "the center as the soul, local authorities as the limbs" is gone; local demands have begun to have an impact upon central policies; and the distribution of interests between central and local authorities is gradually shifting from the old "head of the household rules with an iron fist" mode toward a contractual relationship, the terms of which are negotiated by equals.

The question is, what impact will the rise of these circumstances have upon the future political situation?

This is a big and interesting question. Ever since the Han dynasty, the relationship between central and local authorities has been an issue of great concern to the scholars and politicians who consider it their mission to "run the state and keep the world in order." The emperor's struggle during the Han dynasty to reduce the power of his vassals, the Rebellion of An Lushan during the Tang dynasty, the Self-Defense Movement in Southeastern China during the late Qing dynasty, and the independence of all the provinces during the Revolution of 1911 provide the people of today powerful reminders of the dangers of disunity. Thus, when people see local power on the rise, they immediately think of the rise and fall of states, social revolutions, local separatism, and even endless fighting among warlords. This has become a popular conversation topic in the last two or three years because of these historical precedents.

In reality, as far as the present situation is concerned, it is quite probable that people are being excessively skittish in drawing these historical parallels. If no comprehensive social crisis causes the central government's disintegration or paralysis, the chances of "princes rising up in revolt" are infinitesimal. Setting aside the factor of political struggle, it is clear that the economic discrepancies between the southeastern coast and the northwestern hinterland and the demand for a unified national market constitute a natural barrier against any "prince" getting too big. From an historical perspective, if power at the local level is to grow so big as to lead to disintegration, those at the local level must have four factors on their side: a righteous cause, something to gain, power, and troops. The "princes" of today have no troops; the so-called localization of troops that has people so exercised is a drop in the

bucket. As for having something to gain, an appropriate expansion of power would be beneficial at the local level, but "independence" offers no clear benefit. When the communist ideology dies and the remnants of central authority disappear, a "righteous cause (excuse)" could be easier to find, but in the face of a populace imbued with a cultural predisposition toward unity, "divide and rule" would not likely be an acceptable rallying cry.

If we rule out the possibility of local separatism, the benefits of the rise of local power far outweigh the drawbacks.

First, when local autonomy expands, economic vitality will be strengthened. The local policy making principle which places the maximization of interests before all else would spur the growth of a corps of local bureaucrats focused on practical work, thereby weakening the ideological character of Chinese politics.

Secondly, local bureaucrats are going to exert an increasingly powerful influence upon the future direction of China's policy. They are going to have a greater and greater voice in the personnel decisions, policy objectives, and even systemic reforms of the central authorities. For example, people have already seen that when faced with the issue in 1991 of China's most favored nation (MFN) trade status with the United States, Guangdong province, whose interests were most at stake, made many efforts to affect central policy in order to preserve MFN for China. Under such circumstances, it is foreseeable that high ranking central bureaucrats who cannot gain the respect of local bureaucrats will find it difficult to hold onto their positions.

Thirdly, the expansion of local autonomy makes economic, political, and cultural diversification a possibility.

Of course, it should be noted that if the outbreak of general social crisis brings chaos, the entire situation would change. For example, the absence of a leader could spur demands for independence in minority regions, and centrifugal tendencies at the local level could be strengthened. However, even under such circumstances, decentralization which had taken place previously would have a beneficial aspect; for example, if local authorities have taken advantage of previous decentralization to build up experience in independent action; if these authorities have taken in a large number of talented people; and if, instead of relying upon orders from the central authorities, they have developed interprovincial relationships based on mutual benefit; then once central power encounters a fatal challenge and disintegrates, local political power would actually become a force for stability in Chinese society.

NATIONAL AFFAIRS, POLICY

Strategies for Changing Large-, Medium-Sized Enterprises

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[Article by Liu Shijin (0491 0013 6930) and Jiang Xiaojuan (3068 1420 3197): "Difficulties, Essence, and Strategic Transformation in Reform of State Large-, Medium-Sized Enterprises"]

[Excerpts] [passage omitted] **Resolutely, Safely Achieve Strategic Transformation of Reform**

From a look at the difficulties in understanding that enterprise reform is based on bringing forth new ideas about the system and in the process of breaking down and conforming enterprise functions following the adjustment of the industrial structure, we see that, although in the past the basic direction of the strategy for reform of state enterprises was positive, there were also certain important drawbacks. These drawbacks are concentrated in one point: From beginning to end reform cannot come from the framework of the administrative division of authority.

Why are people never able to escape the administrative division of authority cycle? First of all, we make the point that the constrictive nature of the administrative division of authority is very strong. From the highly centralized wartime communist system to the system of plan and market in which the locality and the enterprise enjoy considerable authority, both systems could exist within the framework of keeping, for the most part, the administrative division of authority. This characteristic of the administrative division of authority often makes it difficult for people to distinguish it from the economic division of authority, and especially produces excessively high expectations and evaluations with regard to it. Next, the administrative division of authority gets powerful support from the empirical tradition. If we look at the people's thought process during reform, we see that the influence of empiricism is broad and that its roots are strong. No matter whether one sums up, in a directly perceived manner, the defects of the old system as being mainly its excessive centralization, and thus puts the emphasis of reform on a simple devolution of authority and yielding of interests, postponing or evading the transformation of the mechanisms that possess long-term, fundamental significance; or excessively believes that certain things about oneself do not conform all that much to the "creativity" demanded by the laws of a modern commodity economy, despising and even resisting the standard system forms that have proved effective in the long-term practice of the commodity economy—in all cases people can feel the powerful force of empirical traditions. Finally, the blurring of the goals of state enterprise reform leaves a very wide margin for the administrative division of authority. Even if, in theory, the goal is put forward of making state enterprises become commodity producers and businesses that keep the initiative within their operation, are responsible for their own profits and losses, are self-restrained and self-developed, and also even if it is perceived that this goal is

honorable, this goal, which is excessively abstract, which has a wide margin for interpretation, and which does not correspond with specific system forms, cannot provide much help to the substantive advancement of reform. Experience has shown that the labels of keeping the initiative in operation, being responsible for one's own profits and losses, and being self-restrained and self-developing can be affixed to the forms of reform, including those that are very different from the administrative division of authority. Under many circumstances, if there is fairly good compatibility between the reform measures in the administrative division of authority and the administrative system, it seems to be easier for every quarter to accept them.

In the end, however, there is no way out for the reform of the administrative division of authority. Some of the difficulties and problems cited above, which constitute the major obstacles to the reform of large- and medium-sized state enterprises, clearly show the limited nature of a reform strategy that possesses a strong flavor of the administrative division of authority. Under these circumstances, resolutely and safely transforming the state enterprise reform strategy, in particular by transcending the administrative division of authority, has become the most advantageous solution to the growing predicament of reform.

The new strategy for state enterprise reform focuses on setting up a modern corporate enterprise system based on the limited-liability company in conjunction with the competitive market system, in particular the gradual formation of capital markets and labor markets which operate effectively. With this as a foundation, a government macroeconomic management system in which indirect regulation and control are primary will be established. Its aim is to solve fundamentally the two basic problems we are currently facing: that large- and medium-sized enterprises are still coordinated, either directly or indirectly, by the government, and that the staff and workers are completely dependent on the enterprise. The main points of reform are: 1) After reevaluating existing enterprise assets in line with investment sources, to divide them up and give them to governments and enterprises at all levels; the governments at all levels are then to entrust property management companies, insurance companies, and various kinds of basic organizations, as well as other suitable mass organizations, to be the holders of public owned property rights. 2) To transform the majority or the great majority of large- and medium-sized state enterprises that are in competitive industries into standard limited-liability companies, and the holders of public owned property rights, who are the stockholders, should be in sufficient quantity to make between the companies a proper degree of competitiveness and mutual restraint, avoiding a property rights monopoly by a single stockholder's individual enterprise. 3) To establish a stock market, and as early as possible to promulgate exchange laws and regulations and organize conditional stock companies to go on the market. In this process we should avoid a situation in which stock prices skyrocket because too few go on the market. 4) Put into effect the general manager responsibility system under the leadership of the board of directors. The board of

directors is to be composed of stockholder representatives, high-level managerial personnel, party committee members, as well as figures in society who possess arbitrator status. Its responsibility is to make strategic policy decisions, decide on the appointment and dismissal of high-level managerial personnel, supervise them, and evaluate their work. The general manager is to have full authority over daily affairs. At the same time we should further perfect the staff and worker congress and give play to its management and supervisory role. 5) To eliminate the difference in status between regular work and contract work, put into effect a unified contract work system, as much as possible adopt a system of encouragement and reward in which actual achievements are closely linked to remuneration, and reverse the trend for a new wage egalitarianism in wages. 6) Through the method of the government, the enterprise, and the individual jointly putting up money, establish a fund for social medical treatment, care for the aged, and unemployment insurance; and take the retired staff and workers and the personnel in factories awaiting employment—all of whom are now a burden on the enterprise—and safely and without losing the opportunity put them in society. Accelerate the pace of housing commercialization; adopt various methods suited to the conditions of the locality, the time, and the people; and transfer residential property rights, in either a long or a short period of time, to the individual and the real estate business enterprise. Gradually turn part of the original enterprise's internal funds for building construction into staff and worker income. 7) After the state's assets are put on the market, the state should adopt as quickly as possible tax, trust, and other policies that treat all types of enterprises equally without discrimination; if there are differences, the state should focus on industrial policy.

In comparison with past reform strategies, the new reform strategy has the following characteristics: 1) It attaches importance to the basic role of blazing new trails in the system; emphasizes that the decomposition and integration of enterprise functions are the fundamental leads; and, in line with clear, specific, operationally possible reform goals, steps up the pace of mechanism transformation. 2) It attaches importance to the systematic nature and mutual coordination of reform and advocates the consideration of market system reform, government economic management system reform, and enterprise system reform as different aspects of a unified process. Although the timing of these reforms will be different, in an appropriately long period the completion, for the most part, of these reforms in mutual coordination can and should be done. 3) It attaches importance to the question of motive for reform, and advocates the integration of reforms started by the government with the reforms enterprised have promoted on their own initiative, through the establishment of certain interests, the parties concerned who anticipate a stimulation of economic activities will actively take part in blazing new trails in the systems.

In the abovementioned new reform strategy, the modern limited-liability company system is the long-term, specific goal of the reform of the state enterprises (at least of the

state enterprises in competitive industries). We now need to answer a practical question: is the stock system more advantageous than the contract system and other systems for solving the several profound and difficult problems of state enterprises that were discussed above? The answer should be in the affirmative. 1) Compared with other forms of development, the mechanisms in the stock system for profit distribution and risk taking are more abundant and complete. These mechanisms can effectively satisfy the dual demand in profit distribution and risk taking for "rationality" and "approval." 2) Once the stock system is popularized, the property rights structure and the enterprise capital formation structure will clearly be asymmetrical. That is to say, the more enterprises that adopt the pluralized property rights structure, the fewer the "pure" enterprises under certain kinds of ownership. In this process, the problem of causes in ownership making the enterprises' business environment conditions unequal will automatically and gradually dissolve. 3) After the stock system is popularized, the enhancement of the mechanisms for public ownership property rights and the sense of responsibility of the assets manager will, from the angle of effective development and utilization of assets, promote the solution of the problem of enterprises running society. 4) As for the unity of the various forces of enterprises and the development of enterprise groups, the stock system is the basic organizational form that is regularly recommended. China's practice in recent years has tested and verified this point.

It is necessary to provide some explanations regarding the feasibility of the abovementioned new reform strategy.

First, does the adoption of the market for managing public-owned assets threaten the primary position of public ownership? First of all, we must be clear about the fact that emphasizing the market's role is not equivalent to privatization. The view that equates the two and the view that equates the commodity economy with capitalism belong to the same logic. It can be affirmed that the efficiency of putting privately owned assets on the market for management is generally greater than the efficiency under the system of government administrative coordination. A reality that must be faced is that all sorts of behavior in managing state assets currently is corrupt, wasteful, and either of low efficiency or of no efficiency at all, and that this behavior is engulfing state-owned resources very quickly. Under the general trend of developing the commodity economy, only by putting publicly owned assets on the market can the public ownership property rights be made clear and can the publicly owned assets then be really—not just verbally—safeguarded.

Second, will the reform of the labor system cause social instability? If we can successfully reform the labor system and thus raise the labor productivity rate, not only can we fairly quickly increase the staff and workers' incomes, but also, overall, it will be more advantageous to the solution of the employment problem, which, it goes without saying, is of significance to society's long-term stability. In addition, to lower the risk in the reform of the labor system, the selection of the opportune time for reform is especially

important. Generally speaking, if we carry out this reform in a period of economic expansion, it will go fairly smoothly.

Third, will putting into effect the limited-liability company system reduce the state's financial revenue? Changing the current contract system to the stock system is bound to change the mode by which the enterprise turns over income to the state, and thus there really is a question whether the state's financial revenue can be ensured. A compromise plan that could be considered is, in the period in which the stock system begins to be put into effect, only the mode of turning over income to the state will be changed, and the level of income that should be turned over under the original system will be basically maintained. After the stock system enterprises go into normal operation, the income distribution relationship between them and the state can gradually be adjusted to a relationship that is mutually acceptable. In the long run, after the stock system is put into effect, the improvement of the efficiency of the state's asset management system and of the staff and worker productivity rate will be the most reliable guarantee for the steady growth of the state's financial revenue. On the other hand, under the circumstances in which the stock system is put into effect on a large scale and a flourishing stock market is formed, the random buying and selling of state asset stock rights can also become an important way of regulating the state's financial revenue.

Fourth, will there be some overanxiousness for quick results in establishing flourishing capital and labor markets? People who harbor this misgiving also believe that the growth of key markets will lag behind the growth of the commodity market and that their growth period will also be longer than that of the commodity market. In this regard we must be clear about the question of the changes in the situation for those who develop after others. Countries that adopt the commodity economy after others have already done so can, by studying the successful experiences of those countries that have already put it into practice, lower to a great extent the cost associated with blazing trails in new systems. In economic growth, compared with the same stage of development in the countries that have already put the system into practice, there will appear a clear trend of "acceleration," which will provide the indispensable prerequisite of the productive forces for the swift growth of markets. After World War II some newly arising industrialized countries took 20 or 30 years to make the same journey of growth that took the older industrially developed countries more than 100 years, and the growth of the markets went through more or less the same changes. Although its social system is different, in building the mechanisms for operating a modern commodity economy, China has performed roughly the same as other countries that have come along later or has more superiority by virtue of the fact that it is in the later group. It is not only necessary but is also possible to build markets to a comparatively mature stage in a relatively short time. Regarding the lag in growth of the key markets as compared to the growth of the commodity market, we can say that this is a basic reality in China, and also, precisely

because of this reality, there have occurred the many unbalanced, distorted phenomena discussed above. Viewed from this angle, while continuing to develop the commodity economy, the acceleration of the pace of building key markets has become a top priority task.

Price Reform During Period of Rectification

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[Article by Ma Kai (7456 0418): "A Page Worth Careful Summation in the Course of Price Reform in China—A Review and Some Thoughts on Price Reform During the Period of Rectification and Improvement"]

[Excerpt] [passage omitted] **Important Progress**

During the period of rectification and improvement, the rise in the overall price level slowed considerably. Was it because "price reform had stalled," and did we "sacrifice price reform for the sake of rectification and improvement," as some foreign critics said, or did we simply "missed the opportunity to carry out price reform," as some people charged? The answer is no. In fact, during rectification and improvement, especially by the fourth quarter of 1989, inflation was clearly under control and the market was stabilizing. While continuing to pursue rectification and improvement, the party Central Committee judged the hour and sized up the situation, seized the opportune time, and introduced a series of price reform measures in an orderly fashion. Not only did price reform not stop, to the contrary, it made considerable progress.

A. Readjustments of the Price Structure Made Great Strides

With respect to transportation, post and telecommunications, and other aspects of the infrastructure, the key measures include the following: 1) In September 1989, the transportation industry raised its passenger fares substantially: Passenger fares by rail, water, air, and local highways went up 112 percent, 96 percent, 77 percent, and 60 percent respectively; 2) In March 1990 and again in March 1991, the price of cargo transport by rail was raised. In total the price went up an average of 8 li per ton-kilometer, increasing 44.5 percent. In March 1990, the price of cargo transport by waterway also went up 29 percent; 3) On 31 July 1990, domestic postal rates were raised substantially. Local surface mail was raised from 4 cents to 10 cents per 20 gram; out-of-town mail went from 8 cents to 20 cents.

With respect to energy resource and essential raw material prices, the key measures are: 1) In 1989, 1990, and 1991, three times, the ex-factory price of crude was raised. In total the ex-factory price of parity-price crude was raised by 91 yuan a ton, an 80 percent increase. The prices of heavy oil, gasoline, and diesel and other processed crude were also raised accordingly; 2) In August 1990, the average composite planned price of centrally distributed coal was raised by 10 yuan a ton, a 21 percent increase. In December 1991, the average price went up another 6.4 yuan a ton, a 10 percent increase; 3) In the third quarter of 1990, the state set a series of interim ex-factory prices for

some iron and steel products manufactured by Anshan, Benxi, and seven other iron and steel companies as well as the Shanghai, Chongqing, and Tianjin steelworks, raising prices by an average of 15 percent or so. In February 1991, the price of iron and steel products under state plans was again raised, this time by an average of 20 percent or so; 4) in August and September 1990, the planned prices of aluminum, copper, tin, nickel, and lead and other nonferrous metals were raised by 24 to 42 percent; 5) in November 1990, the ex-factory price of centrally-distributed timber from the northern state-owned forests was raised substantially. The effective price increase came to an average of 60 yuan per cubic meter, a 40 percent price-hike; 6) in November 1989, the ex-factory price of crude salt was raised substantially, increasing by 70 yuan a ton, a 112 percent price increase. The planned prices of sodium carbonate and other salt and chemical products were also adjusted accordingly.

With respect to the procurement prices of agricultural products, the key measures include: 1) the procurement price of cotton was raised in 1989 and again in 1990. The price went from 196 yuan per 50 kg in 1988 to 300 yuan, a 53 percent increase; 2) In 1990, the fixed-quota purchase price of [edible] oil was raised substantially: the price of peanut oil and rapeseed oil and four other edible vegetable oils was increased by an average of 47 yuan per 50 kg, a 28 percent increase; 3) the procurement price of sugar was raised in the 1990-1991 extracting season. Sugarcane and sugar beet prices went up by 15 yuan a ton, a 12 percent increase; 4) when the new crop of tobacco went on the market in 1990, nationwide, the procurement price of cured tobacco was raised by an average of 11 yuan per 50 kg, a 10 percent increase.

With respect to prices relevant to foreign trade, the key measures include: 1) The RMB exchange rate was devaluated twice. On 16 December 1989, the RMB to US dollar exchange rate was lowered from 3.7 yuan to 4.7 yuan to a dollar, a 21.2 percent devaluation. On 17 November 1990, the RMB to US dollar exchange rate was again lowered from 4.7 yuan to 5.2 yuan to a dollar, another 9.6 percent depreciation. Subsequently, the exchange rate was allowed to float within reasonable limits. In the fourth quarter of 1991, the floating exchange rate between the RMB and the dollar was around 5.3 yuan to a dollar. 2) The scope of transferring agents of imported goods was twice expanded. Financial subsidies for 15 commodities imported under the central government's foreign exchange plan, including steel products, and six other commodities, including sodium carbonate, were eliminated and replaced by agent-set prices.

With respect to everyday consumer goods and services, the central government made unified plans and raised in succession the prices of salt, cotton textile goods, laundry detergent, soap, sugar, and household fuel (household coal, gas, liquified petroleum gas [LPG], and natural gas). With special permission from the State Council and within local administrative jurisdictions, the localities also readjusted some product prices and service fees. Nationwide, most

cities raised the price of tap water and public transportation fares. In particular, in May 1991, the state took advantage of stable prices in the market, the two consecutive years of bumper harvests, and the ample source of grain and successfully introduced a measure to raise the government monopolized sale price of grain and oil. Nationwide, the price of each 500 grams of processed grain was raised by 10 cents, a 68 percent increase. The price of edible vegetable oil was raised 1.35 yuan per 500 gram, a 170 percent increase. The gap between the inversed purchase and sale prices of grain ration was narrowed; oil ration was sold at procurement price. This was the first major adjustment of the prices of fixed-quota grain and oil since the mid-1960's, marking an important step toward thorough price reform.

Preliminary estimates show that if all price adjustments of the scores of products in the above five major categories are fully reflected in the economy, they will amount to nearly 100 billion yuan a year. The sheer number of prices being readjusted, the magnitude of some of the readjustments, and the scope of readjustments are unheard of before since reform began in 1979.

B. The Restructuring of the Price Management System Made New Progress

With respect to the pricing formats and working mechanisms, the pattern where three types of prices—state-set prices, state guidance prices, and market regulation prices—coexist was constantly being improved. In the early days of rectification and improvement, in order to curb inflation and keep retail prices from rising too rapidly, at one time the state tightened price administration and management and reasonably centralized the power to administer prices. In some cases, local governments were required to obtain special permission from the State Council before raising the prices of products administered by them. Among commodities which had been decontrolled and put under market regulation, those that had major impact on the people's lives were required to submit price-increase applications. The state also controlled interest rates and price differentials and set price ceilings. At that time, these measures were deemed necessary. As inflation got under control, and beginning in 1990, these temporary measures were sorted out. Except for a few product categories, state-administered product prices were put back under the normal graded-management system. The state drastically reduced the categories of decontrolled, market-regulated products required to submit price-increase applications; the system has since been abolished in many localities. During rectification and improvement, while strengthening the management of important commodity prices, in order to satisfy the needs of reform and opening up, and in view of the different situation, the state further decontrolled or enlivened some product prices to allow the market to play a bigger role in setting prices. Comparing 1990 to the year before, state-set prices as a share of all retail prices in society has fallen from 31.3 percent to 29.7 percent; the share of state guidance prices and market regulation prices has risen from 68.7 percent to 70.3 percent. In the procurement of

agricultural products, the share of state-set prices has fallen from 35.3 percent to 25.2 percent, and the share of state guidance prices and market regulation prices has risen from 64.7 percent to 74.8 percent. Of all ex-factory prices of industrial means of production, the proportion of state-set prices has decreased to 44.4 percent and the share of state guidance prices and market regulation prices has increased to 55.6 percent. In 1991, the scope of state-administered prices was further reduced and the share of market regulation prices increased. The central government went on to decontrol the factory sale price of enamel wash basins and mugs, level-two wholesale and retail prices of cigarettes as well as the retail price of sugar. By amending old and promulgating new lists on the division of labor in the management of light and industrial product prices, factory sale prices of light and industrial products originally administered by the central government were decontrolled or revitalized to give enterprises even more power to set prices. Guided by the local people's governments, local commodity price administrations also actively promoted reform of the price management system in a planned and systematic way, making good progress in devolving administrative powers and decontrolling prices. In decontrolling prices, many localities followed the principle of "government eases up while enterprises tighten control" to guide enterprises in exercising their price-setting powers properly.

With respect to the price regulation and control mechanisms, a system which used economic means as primary measures and administrative and legal means as supplementary measures and which integrated direct and indirect regulation and control was gradually being developed. During the period of rectification and improvement, the state made controlling the annual rate of increase in the overall price level an important macroeconomic norm to be included in the nation's economic plans, and it relied mainly on regulating the macroeconomic parameters to control the overall price level. Because a series of measures were taken to reduce demand and increase supply, and in particular, because currency issuance—the "main switch"—was effectively kept under control and a combination of financial, credit, and interest and other economic levers were put to use, the rise in the overall price level was also effectively controlled. Meanwhile, many localities promoted the goal-oriented price control responsibility system, creating a new system where the local governments took the lead and the departments shared the responsibilities, a system which started out with developing production to increase supply and utilized all sorts of economic levers to effect comprehensive regulation and control and systematically manage all product prices. This not only effectively controlled any undue increase in product prices but also let prices play a regulatory role in promoting production and market prosperity. In order to strengthen the means to regulate and control prices, after decontrolling the prices of nonstaple foods, because these prices were weather-dependent and can be volatile, many provinces and municipalities set up and improved the nonstaple food price regulation fund system to safeguard

production and stabilize market prices. Based on incomplete data, nationwide, Liaoning, Jiangsu, Guangdong, Anhui, Hunan and other provinces as well as Chengdu, Wuhan, Ningbo, Jiujiang and scores of large and mid-sized cities have set up this system, and the results have been outstanding. In particular, in view of several years of bumper grain harvests, grain prices in the country markets have fallen sharply, and so the State Council promptly set up a grain reserve system and set guidance prices for negotiated-price grain in a timely fashion and allowed the local governments to set minimum protection prices. In short, through rectification and improvement, the state has accumulated a lot of experience in adjusting and regulating prices at the macroeconomic level, and its regulation and control capabilities have been further enhanced.

C. Pricing Order Clearly Improved

As rectification and improvement continued to produce results, supply-demand relations improved, and there were ample supply of materials and consumer goods. In addition, the state had adopted a series of measures to sort out and consolidate companies and strengthen market and price management, and as a result, market and pricing order clearly improved. With respect to price management, the state has strengthened pricing legislation. The State Commodity Prices General Administration promulgated the "Regulations Pertaining to the System of Clearly-Marked Commodity Prices and Fees" and localities also formulated their own pricing laws and regulations. Price checking and monitoring were also stepped up. In particular, in view of the lack of pricing order a few years ago, and targeting some of the key product categories such as agricultural means of production, petroleum products, and power supply which the masses and many consumers had brought complaints against, the state conducted industry-by-industry price-checks around the country, which produced good results. From 1989 to the first half of 1991, nationwide, about 1.95 million cases of pricing violations were investigated and prosecuted, and about 3 billion yuan in fines were collected. Fees charged by various government services nationwide were sorted out and consolidated—arbitrary charges were eliminated, redundant fees merged, and exorbitant fees reduced. Incomplete data show that by the end of June 1991, various localities nationwide have saved enterprises and individuals about 3.3 billion yuan a year by sorting out the arbitrary fees and charges.

In short, in the last three years, China not only did not slow its price reform because of rectification and improvement but actually made use of rectification and improvement to create a better macroeconomic environment to facilitate price reform and carry it forward in big strides. Not only did we make good progress in readjusting the price structure but we also improved the price management system and made new progress in developing and amplifying a normal pricing order, paving the way for thorough price reform in the 1990's.

Outstanding Results

Price reform since rectification and improvement has produced clear results. They are manifested mainly in the improved price relations. Specifically:

We have reversed the trend that threatened to restore the old, unreasonable internal price ratios among industrial products and have facilitated the move toward a better price structure. One of the important goals of China's price reform is to end the price distortions typified by undervalued basic product prices and over-priced processed goods. Looking at the internal price relationship among the industrial products, in the first six years of reform (1979-1984) the prices of goods produced by the mining and excavating industry, raw materials industry, and processing and manufacturing industry went up 49.9 percent, 28.8 percent, and 11 percent, respectively. This descending pattern of price increase reflects some improvement in the distorted pattern of low basic product prices. But in the subsequent five years of reform (1985-1989) due to inflation and its lagging effects, the trend began to reverse its direction: the prices of goods produced by the mining and excavation industry, raw materials industry, and processing and manufacturing industry went up a total of 55.9 percent, 68.4 percent, and 73.3 percent, respectively. This ascending pattern of price increase reflects a relapse in the internal price ratios among industrial products despite earlier improvements. During the period of rectification and improvement, price readjustments were consciously and systematically tilted toward the basic industries, putting the emphasis on raising the state-set energy resource and raw material prices. In 1990, prices of goods produced by the mining and excavating industry, raw materials industry, and processing and manufacturing industry went up 7.9 percent, 5.9 percent, and 2.5 percent, respectively. In August 1991, prices were 11.9 percent, 11.8 percent, and 4.6 percent higher, respectively, compared to the same period a year earlier, reversing the pattern of previous years where the prices of downstream products had been increasing faster than that of upstream products. The internal price ratios among industrial products once again have become more reasonable.

We have reversed the trend of growing difference between planned and extra-plan prices under the system of double-track pricing of capital goods and have helped improve pricing order. Because of the overheated economy and runaway inflation, at one time, the extra-plan price of capital goods soared, and meanwhile the state was forced to tighten control of planned prices and put off all adjustments, which led to a sharp increase in the price differential under the double-track pricing system. Comparing 1989 to 1987, the differences between the ex-factory planned and extra-plan prices of some essential capital goods have increased by the follow amounts (in percentage points by which extra-plan prices exceeded planned prices): Commercial coal from the central distribution mines, from 122.9 percent to 263 percent, an increase of 140.2 percentage points; electrolytic copper from 4 percent to 112.1 percent, an increase of 108.1 percentage points; aluminum ingot, from 39.5 percent to 98.3 percent, an

increase of 58.5 percentage points; centrally distributed timber, from 145.9 percent to 199.7 percent, an increase of 53.8 percentage points. After an arduous period of rectification and improvement, on the one hand, by reducing the excess scope of capital construction, industrial growth began to slow and the supply and demand of goods and materials began to ease, and in addition, by imposing ceiling prices on extra-plan capital goods and managing prices more closely, the soaring extra-plan price of capital goods fell back sharply. Comparing the average ex-factory extra-plan prices in June 1991 with those at the end of 1989, timber price has fallen 18.6 percent; steel materials, 14.4 percent; cement, 13.9 percent; aluminum ingots, 14.7 percent; commercial coal from central distribution mines, 11.3 percent. In addition, as pointed out earlier, the state also drew up plans to significantly raise the planned price of essential capital goods. As extra-plan prices began to fall and planned prices began to rise, this kind of "squeezing from both ends" significantly narrowed the double-track price difference. Comparing June 1991 and 1989, the differences in the double-track ex-factory prices of such important means of production as commodity coal from the central distribution mines, electrolytic nickel, timber, crude oil, diesel, aluminum ingots, and sodium carbonate were reduced by 140.1 percentage points, 119.9 percentage points, 117.4 percentage points, 92.8 percentage points, 75.3 percentage points, 65.2 percentage points, and 64.6 percentage points, respectively. Currently, except for crude oil, coal, timber, and electrolytic nickel and some other products from the mining and excavation industry which still show excess price differentials (over 50 percent; some more than double,) the double-track price differences of most raw materials and means of production are close to normal. For some products, the planned and extra-plan price differential has almost disappeared: The planned and extra-plan price differentials of sodium carbonate, caustic soda, pig iron for casting, steel materials, aluminum ingots have dropped to within 20 percent. The narrowing of the double-track price difference has eased many conflicts and contradictions caused by this pricing system and has prevented its defects from getting very much worse. This has a positive effect on developing and maintaining normal pricing order.

We have reversed the abnormal situation where, under inflation, we "could not stabilize market regulation prices or readjust the state-administered prices even if we wanted to" and have helped the price-setting mechanisms move in the direction of integrating the planned economy and market regulations. The purpose of price reform is to change the price-setting mechanisms so that state-administered prices not only reflect the needs of the planned economy but also the needs of the law of value, the law of supply and demand, and the law of competition, and meanwhile market regulated prices are not only regulated by market mechanisms but are also guided by state plans, so that the planned economy and market regulations are organically integrated as different pricing formats are being created and put to work. But runaway inflation seriously hampered the process of improving the pricing mechanisms.

On the one hand, pulled by excess demand, market regulated prices, like unbridled wild horses, lost all control. On the other hand, the soaring prices were so high that the state-set prices had to be frozen—all readjustments had to be put off even when prices were clearly out of line—and prices that should be decontrolled had to be kept under control. Through rectification and improvement, this situation was changed step by step. The setting of market-regulated prices of some important commodities were directly or indirectly regulated or controlled by state plans. The prices of many important commodities that were set by the state were readjusted in a timely fashion. For instance, the price of parity-price crude was raised three years in a row; the price of centrally distributed coal was raised two years in a row; the price of railroad cargo transport was also raised two years in a row. These are unheard of before since the founding of the PRC. It shows that even the "dead" state-administered prices are gradually being "revived." The law of value is playing an increasingly bigger row in determining state-set prices.

As the price structure and the pricing mechanisms improve gradually, they begin to play a very important role in promoting the national economy's sustained, steady, and smooth development. Specifically:

They support rural production, ease the problems in the energy resource, transportation, raw material and other basic industries, and promote the readjustment of the industrial structure. With respect to agriculture, because the procurement price of cotton has been raised three years in a row, the peasants are much more enthusiastic about growing cotton. Comparing 1991 to 1990, cotton planting area has increased by 8.65 million mu. Despite the severe flood disaster, total cotton production is expected to increase by more than 5 million dan. By raising the purchase price of sugar, we have revitalized sugar production which had been stagnant for years. Comparing 1990 to 1991, sugar crop area has increased by 3.46 million mu, and total output is expected to increase by about 4.30 million tons. With respect to industry, comparing the 1989-1990 period with the 1984-1988 period, the ratios of industrial growth to increased energy resource supply has narrowed from 3.36:1 to 1.95:1 and industrial growth to post and telecommunication expansion from 1.32:1 to 1.19:1. These figures show that industry's internal imbalance has improved. Many factors contribute to this change, but one of the most important factors is the substantial and repeated raising of the prices of energy resources and transportation. During the period of rectification and improvement, raising the prices of crude, coal, and rail cargo transport while establishing special crude, coal, and railway construction funds will have very positive effects on the long-term development of the basic industries.

They support the development of import-export trade and help the country open up even more to the outside world. The scope of pricing of import commodities by agents is constantly expanding, and two years in a row, the state has made significant readjustments of the RMB exchange rate—these have created the necessary external conditions

for the reform of the foreign trade system to make real progress and for the import and export trade to attain strong growth. China's export volume reached the \$52.5 billion mark in 1989, followed by a record \$62.1 billion in 1990. In 1990, China's foreign trade balance showed a surplus, ending the years of trade deficits incurred since 1984. This trend continued into 1991, building up the state's foreign exchange reserve. By the end of June 1991, the state's foreign reserve has reached \$18.3 billion, \$14.9 billion more than at the end of 1988, a 5.4-fold increase, setting a historic record. These results would have been unimaginable without the two rounds of exchange rate readjustments.

They help increase financial revenues and reduce spending and help ease the financial difficulties. There are two aspects here: On the one hand, by raising the low state-set prices and decontrolling prices in a planned and systematic way, we have directly reduced or eliminated some government price subsidies. Specifically, on 1 January 1989, the system of price-setting by agents was installed in 15 imported commodities, including steel materials, lumber, pig iron, and nonferrous metals. Prices would hence be based on volume imported during the year, reducing government subsidies by 2.5 billion yuan. In April 1990, six more imported commodities, including sodium carbonate and caustic soda, converted to the agent-set pricing system, reducing the year's financial subsidies by 270 billion yuan. In 1990, price subsidies for wadding cotton, cowhide, and laundry detergent were abolished, reducing the year's financial subsidies by more than 800 million yuan. In 1991, the appropriated price of imported grain and oil was raised. This is expected to reduce import subsidy by 1.27 billion yuan a year. Due to the readjustment of the exchange rate and further reform of the foreign trade system, 1991 state subsidy of export goods has also been reduced substantially. In particular, raising the sale price of state monopolized grain and oil in May 1991 is expected to reduce the state's grain and oil price subsidies by nearly 13 billion yuan. Even after offsetting this by higher workers' compensation which increases the government's expenditure and reduces its revenues, net reduction in government subsidies will come to several billion yuan. On the other hand, by raising the price of basic goods, we have compensated enterprises for some of the effects of higher production costs, so that the state need not increase price subsidies or need not increase them by as much (for example, raising the price of crude oil and centrally-distributed coal.) Upon raising the price of basic goods, we have channeled the prices of downstream products accordingly and have made use of pricing policies so that the state can avoid bearing the financial burdens of the downstream products. For example, repeated increase in the procurement price of cotton has substantially raised the cost of cotton textile goods, but slow market sales have kept the price of cotton textile goods from rising. Under the circumstances, there are two options: One is to keep the price of textile goods unchanged and let the state subsidize the raw material price differential. Relevant departments at one time did make such a suggestion and estimated that it would cost at least 4-5 billion yuan in subsidies. Another

option is to raise and decontrol the price of cotton textile goods and let the higher prices bring more goods into the market. Under market pressure, the textile industry must adjust its industrial structure, enterprise organizational structure, and product mix. Practice proved that the latter option, despite its flaws in actual implementation, is no doubt the correct choice. The state need not spend more on subsidies, and the textile enterprises cannot blame their current problems on "poor textile goods pricing policy." All they can do is to look to themselves and work harder to make structural adjustments. Currently, the state still has serious financial difficulties and is still spending a lot of money on price subsidies, but if not for the big strides taken during several years of price reform, the financial problems would be even worse, and price subsidies would cost even more. [passage omitted]

PROVINCIAL

Article Views Role of Discipline in Reform

92CE0383B Xian SHAANXI RIBAO in Chinese
23 Mar 92 pp 1,2

[Article: "Various Regulations on Supporting and Safeguarding Reform To Advance Economic Development of the Shaanxi Provincial CPC Discipline Inspection Commission and the Shaanxi Provincial Supervisory Department, 5 March 1992"]

[Text] Implementation of the party's basic line, close attention to economic work as a key task, greater reform, and acceleration of the pace of opening to the outside world are major political tasks facing people throughout the province. Party and government departments, as well as discipline inspection and supervisory organs at all levels must resolutely implement and enforce the party's basic line, providing active support to reform and opening to the outside world in order to advance economic development. They must act in accordance with the policy of building material and spiritual civilization at the same time; they must invigorate the economy; and they must improve discipline, fully bringing into play the functional roles of the disciplinary authorities and administrative supervision departments, clear away all kinds of interference, persevere in strict party control, resolutely punish corruption, and diligently build party spirit and ensure clean government to create a good environment for building the economy. In order to enliven commodity circulation, improve large- and medium-size state-owned enterprises, promote technological progress, give impetus to enterprises' transformation and operating mechanisms, and improve the external environment, the following regulations have been prepared in the spirit of pertinent central government regulations and regulations for Shaanxi Province on some policy problems which have arisen in the economic realm and have a bearing on party spirit, party discipline, and clean government.

1. State-owned enterprises are the foundation of the socialist economy. The legal operation of state-owned enterprises in accordance with provisions of the "Enterprise Code" must be resolutely protected. No unit or

individual may willfully interfere with an enterprise's operating and decisionmaking authority, distribution authority, authority to hire workers, authority to appoint and dismiss middle level cadres, authority to set prices of the products it sells, and authority over personnel and the plant's location. Enterprises have the authority to resist or to bring complaint to a higher level discipline inspection or supervisory unit against anyone infringing enterprises proper and legitimate rights and interests. The unit concerned must then promptly conduct a conscientious investigation and disposition of the matter. Support must be given to enterprises' destruction of the "iron rice bowl," "iron armchair," and "ironclad wage" sinecures, and to their transformation into operating mechanisms to take full advantage of enterprise vitality.

2. Economic, professional, and technical association is necessary for enterprise development. The normal social activities of an enterprise's professional association must be distinguished from lavish dining and drinking, free spending, and extravagance. The provision of food and lodging to customers associated with an enterprise's social and business activities, the holding of goods ordering conferences, fairs, professional discussions, and technical exchange conferences must be considered normal courtesy. Enterprises must follow the principle of "necessity, moderation, and thrift" in accordance with pertinent national regulations as the enterprise's business status and the status of the persons being entertained warrant, each enterprise setting its own regulations on funding channels, placing a ceiling on expenditures, establishing entertainment standards, and deciding how many people can accompany each guest. They must draw up specific handling methods which must be diligently enforced following approval by the enterprise's party and government leaders. Violation of entertainment regulations, use of public funds for lavish dining and drinking, extravagance and waste, and entertaining people at public expense for private purposes are strictly forbidden. Violators must be investigated and punished.

3. Better advertisement is necessary if a good job is to be done in commodity exchange. The presentation of samples and souvenirs for the purpose of advertising products is to be distinguished from the giving of gifts and the offering of bribes. If small quantities of inexpensive samples and souvenirs that express the spirit and the image of an enterprise are given to customers, the enterprise's name recognition and approval rating will be increased. The kinds, amounts, value, and scale of presentation of samples and souvenirs must depend on the enterprise's economic ability and actual circumstances. The principle of "necessity, reasonableness, small amount, and simplicity" must be followed; and regulations regarding quantity and quality will be drawn up following study by party and government leaders in the enterprise. The presentation of samples and souvenirs that express an enterprise's special character, including their monetary value, must be strictly controlled, and a system for regulating receipt and procedures for examination, approval, and signing for them must be established. The presentation to individuals of

money, goods, high quality and valuable goods, or violation of financial payment regulations on any pretext, and the use of public funds or public property for gifts constitute a violation of discipline which must be investigated and punished.

4. Buying and selling are socially necessary jobs in the circulation of commodities. The bonuses and compensation that purchasing and sales personnel receive must be distinguished from efforts to obtain personal gain. Enterprises' sales contracts, purchase- and sales-related responsibility systems for purchasing and sales personnel, payment of employees' expenses in accordance with policy regulations, and remuneration or bonuses are all normal. Individual income in excess of prescribed amounts must be taxed according to regulations, however. Sales commissions that an enterprise's leaders approve whereby sales personnel receive a percentage of the total amount of sales for selling slow moving or overstocked goods are not to be viewed as violations of discipline. The sale or purchase of bogus, inferior, or imitation commodities for personal gain which results in losses for the state or the collective, or damage to consumers must be strictly investigated and punished.

5. The purchase and sale activities of enterprises must strictly abide by state financial and economic laws and regulations. Enterprises' concessionary sales must be distinguished from individual "rebates." "Deductions" or concessionary sales provided for in contracts or agreements between enterprises are permitted, but they must be handled according to the principle of "open disclosure, and entry into accounts for transfer to the state." They must be handled as business income or expenses when entered into the unit's account books. When purchase and sales personnel or enterprise leaders receive a "rebate" in the course of their purchase and sales activities, they must turn it over to their units in full. An appropriate reward or return of a portion by the units based on the economic return, the size of the personnel's contribution, and the amount is permitted. However, individual use of official position and work to keep "deductions" or accept "rebates" in violation of regulations and without reporting them or turning them over to higher authority is to be dealt as corruption and the acceptance of bribes.

6. The fair compensation that leaders of enterprises receive must be protected. The compensation that enterprise leaders receive in accordance with contracts must be distinguished from benefits that individuals obtain through the misuse of authority for private gain. So long as enterprise leaders pay taxes according to regulations on the remuneration that they receive as their contracts provide, there is no impropriety. In cases where the setting of contract base figures too low results in excessive compensation, adjustments may be made through consultation between the contractor and the issuer of the contract. This must not be regarded as a violation of discipline. However, resort to fraud and deception, tax cheating and evasion, misrepresenting losses as profits, fraudulent contracting of remuneration and bonuses, or violation of contracts and "Enterprise Code" provisions in an effort to obtain gain

for oneself or a small number of people requires that those responsible be punished as the circumstances warrant and undeserved income recovered.

7. The issuance of bonuses serves as a material incentive for enterprise staff members and workers. The proper bonuses given staff members and workers must be distinguished from the flagrant issuance of money or materials. All individual bonuses issued in accordance with the total amount prescribed by the state and the unit in charge and the pertinent provisions of higher authority are normal bonuses. Use of improper channels for funds, inventing improper pretexts for issuing bonuses, resort to deception, issuance of goods in kind, or arbitrarily increasing bonus standards, expanding the purview, or providing bonuses (including gratuities) and goods in kind to units and individuals outside an enterprise constitutes a flagrant issuance of bonuses which must be halted and corrected.

8. Reform of enterprises' internal mechanism and strict management are dynamos for the economic development of enterprises. Strict requirements and courageous management must be distinguished from simple brutality and arbitrary punishment. Juridical persons in enterprises manage courageously in order to invigorate the enterprises. Punishing and discharging staff members and workers who violate labor discipline in accordance with regulations, and the removal of incompetent personnel from leadership positions constitutes normal discharge of their responsibilities. However, enterprise leaders' violations of prescribed procedures, misuse of their authority to attack and wreak revenge, arbitrary punishment, and infringement of the democratic rights and the legal rights of staff members and workers constitute a violation of discipline that must be investigated and punished.

9. Reliance on scientific and technological progress is a major way to increase enterprises' returns. The remuneration that scientific and technical personnel receive for legitimate services must be distinguished from illegitimate income. Subject to the approval of their own unit organization, scientific and technical personnel use of their off duty time to provide technical services to units concerned for which they receive remuneration in accordance with pertinent regulations must be permitted. When personnel are dispatched outside their unit without approval of the unit leader, or when they privately hold a conflicting concurrent job in another unit that also impairs work in their main job, or when they unauthorizedly transfer technological achievements or technical data from their parent unit, or use the funds, instruments, and equipment of their own unit to the detriment of the interests of the collective and the state, themselves obtaining extra income thereby, this money must be recovered and individual responsibility fixed.

10. Good management and use of enterprise funds is important to economic development. Proper use of extrabudgetary funds must be distinguished from privately established "small treasuries." Enterprise use of some surplus bonus funds and fund withholdings permitted by policy for use in making up shortfalls in the issuance of bonuses must be permitted. However, those who violate

economic and legal discipline, keep public funds in private accounts, set up "small treasuries," or take over and privately apportion state and unit assets, must be investigated and punished.

11. Enterprises may use the advantages they enjoy in technology and equipment to provide social services. Earnings from these endeavors are to be distinguished from the gaining of improper benefits. All of the money that enterprises earn from using their own technology and equipment in providing services must be made a part of the enterprise's income, openly recorded in the ledgers, a system established for it, and strictly controlled. Use of services outside the enterprise as a pretext for obtaining an extra "finder's fee" or a "rebate" from the other party, or dividing up money in secret to the detriment of the state's and the collective's interests must be investigated and punished.

12. The material requirements of enterprises for carrying out production are many and varied. The normal exchange and allocation of materials must be differentiated from illegal purchases of goods solely for resale at a profit. All allocations of goods and materials that are consistent with industrial and commercial, price unit, and market control regulations must be regarded as normal exchanges. Violations of financial, foreign exchange, gold and silver, industrial and commercial control regulations, the illegal buying and reselling of goods, and the creation of disorderly markets for the purpose of making an illegal profit in the course of business dealings must be investigated and punished.

13. During the commodity circulation process, economic and scientific and technical information services must be provided both parties to transactions. The activities of brokers must be distinguished from the activities in violation of the law and discipline of those who seek private profit. All individuals who have registered with the industrial and commercial authorities, who hold an independent status as intermediaries, and who are involved in arranging introductions or in buying and selling are engaged in legitimate activities for which they receive compensation according to regulations and pay taxes according to law. Those who have not registered with industrial and commercial authorities, do not possess status as independent intermediaries, and who pose as brokers in commodity transactions and project introductions, and who use all sorts of pretexts and improper methods to make money must be brought to book. Party and government organizational cadres may provide information during the exchange of commodities, but they may not receive a fee for so doing; much less may they misrepresent themselves as brokers, conducting activities in an effort to make a profit.

14. Problems that arise in the execution of policies must be subjected to concrete analysis. Problems that arise in the execution of policies must be distinguished from efforts to exploit policy loopholes. Should mistakes occur as a result of mistakes or lack of unanimity in regulations from higher authority, responsibility need not be assigned. Matters that the law and policies do not specifically prohibit may be

tried out. Problems that past policies have dealt with may not be raised again. However, those who purposely act in the knowledge that policies have been set above but there are ways to get around them below, do not heed orders, do not halt when forbidden, and who seek private benefit for individuals or small groups to the detriment of the interests of the state and the collective are to be rigorously investigated and punished.

15. Reform is a process of constant innovation and step-by-step development. Mistakes made in the process of trying out reforms are to be distinguished from mistakes resulting from the dereliction of duty and the seeking of private profit. Mistakes made in the course of trying out reforms, and losses created genuinely because of the lack of experiences or changes in objective conditions are in the category of work mistakes. The lessons of experiences gained from them should be summarized. They should not be regarded as violations of discipline. However, damage to the party's and state's interests resulting from serious lack of responsibility about work, neglect of duty, or from pursuit of private benefit under the banner of reform must be investigated and responsibility fixed.

16. Violations of discipline by enterprise leaders should be dealt with prudently as the seriousness of the offense warrants. Discipline examination and supervision units at all levels should support reformers, encourage pioneers, help those who make mistakes, investigate and punish violators of discipline, and attack false witnesses. The reporting of routine problems with enterprise leaders may go through the organization concerned or the person may himself be told to take note. He can correct mistakes that he may have made, or guard against them if he made none. When serious mistakes are suspected but preliminary investigation cannot establish a case, the matter should be dismissed promptly and support given the persons concerned to work positively. In serious cases where a case can be established at once, forces should be mustered for quick investigation and conclusion. Matters should not be allowed to drag on without solution so as to avoid an adverse effect on work. When enterprise leaders are falsely accused or wrongly accused because they adhered to principles and correctly carried out their duties, the facts must be brought to light at once to remove taint from the public's mind. Enterprise leaders guilty of serious bureaucratism, abuse of their authority for personal gain, violation of the law and discipline, corruption and moral turpitude, are to be resolutely investigated and punished.

17. Improving enterprises requires a fine external environment. Enterprise administration and management authorities, units in charge of economic and technical management, units in charge of enforcing discipline and the law, and their working personnel must improve their direction, coordination, supervision and services to enterprises within the purview of policy regulations in order to promote the soonest possible implementation of various measures to improve the vitality of the enterprise. As soon as persons are found who misuse their authority for private gain, who eat off of, take from, obstruct, and make demands on an enterprise, who seek advantages for their

own benefit or the benefit of a small group, or who interfere with inspections, interfere with evaluations and comparisons, interfere with assessments, interfere with the levying of assessments, interfere with fines, interfere with promotions, interfere with the raising of funds, instigate unhealthy tendencies in industries, use the law to break the law, neglect duty or are derelict in the performance of duty, adversely affect work, or create serious losses, they must be seriously investigated at punished.

18. Increasing the vitality of large- and medium-sized enterprises, and improving enterprises' returns is an urgent task of the whole party that must be tackled in a comprehensive way in the waging of a total war. CPC committees and governments at all levels must give firm attention to it as a matter bearing on the future destiny of the party and the nation, and maintenance of the socialist road. Discipline inspection and administrative supervision authorities at all levels must firmly inculcate a guiding thought that takes the building of the economy as its key point, discipline inspection and supervisory organs thereby becoming important forces in building party spirit and clean government, and also becoming important forces in supporting and advancing the building of the economy. They must strive to create a fine social environment that supports the healthy development of reform and opening to the outside world to advance the smooth carrying out of economic construction.

SMALL-SCALE ENTERPRISES

Guangxi Township Enterprises Fastest-Growing

92CE0407A Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 13 Mar 92 p 1

[Article by reporter Zhao Wei (6392 7614): "Guangxi's Township Enterprises Doing Beautifully—Last year, all major economic indicators showed that they were the fastest-growing enterprises in the nation, and in January of this year, they scored again"]

[Text] The Guangxi Zhuang Autonomous Region's township enterprises did very well in 1991. The major economic indicators kept up with one another. They earned 14.07 billion yuan in total income; their total output value came to 12.143 billion yuan, and they generated 1.61 billion yuan in profit tax. These represent increases of 34.01 percent, 32.55 percent, and 33.32 percent respectively compared to the previous year, and the rate of increase in all three indicators ranked first among all provinces, municipalities, and autonomous regions in the nation.

Statistics show that last year, everyone of the region's 88 counties (cities and suburbs) earned higher income—their "four wheels spinning together," and the rural collective enterprises grew at an accelerated rate. Comparing last year's income with that of the year before, township enterprises saw 34.63 percent growth; village-run enterprises, 43.54 percent; cooperative enterprises, 23.86 percent; individual enterprises, 34.17 percent. Thirty-nine counties (cities) had income over 100 million yuan, compared to 32 in the year before, and among them, seven

counties (cities) had income of more than 500 million yuan, compared to two in the year before. In the economically weaker northwestern prefectures, both Yishan County and Bose City earned more than 100 million yuan. Thirteen townships (towns) earned more than 100 million yuan, up from four in the year before. Thirty-two enterprises produced more than 10 million yuan's worth of goods, up from 19 in the year before. Enterprise standard as well as product quality improved substantially. Ten enterprises were named the autonomous region's advanced enterprises; 4 were named advanced enterprises in the nation's township enterprise system; 5 products were named superior products by the ministries; 40 products were named regional superior products; 13 products received the autonomous region's Hundred Flower Award for new products. Last year marked a year in which Guangxi's township enterprises achieved the greatest success in history in terms of improved enterprises and better products.

In January of this year, the region's township enterprises again showed signs of sustained growth. Total income for the month came to 968 million yuan, 36.88 percent more than in the same period a year ago. It was a great beginning.

Anhui Enterprises, Industries Recover From Flood

92CE0407B Hefei ANHUI RIBAO in Chinese
10 Mar 91 p 1

[Article by ZHONGGUO XIANGZHEN QIYE BAO reporter Han Feng (7281 1496): "Anhui's Township Enterprises Display New Appearance After the Disaster—the province's township enterprises' total output value grew 37.5 percent in January and February compared to the same period last year while township industrial output value increased 40.2 percent"]

[Text] So far this year, Anhui's township enterprises have taken advantage of the good post-disaster market situation to display a new appearance, work hard to make themselves strong, and forge ahead in full speed, and they have gained growth momentum. In January and February, the province's township enterprises generated 5.276 billion yuan in output value—3.057 billion of which was attributable to industrial output. These represent 37.5 percent and 40.2 percent increases compared to the same period last year.

After the Feidong Conference, the localities began to follow the gist of the provincial party committee and the provincial government's instructions diligently and mobilize the people at each level. On the one hand, they set specific goals, and on the other hand, they drew up specific measures and got down to solid work and made new breakthroughs. Hefei, Fuyang, Anqing and other prefectures and cities quickly found ways to promote enterprise development by giving out incentives and mobilizing the enthusiasm of all quarters to vigorously support the development of township enterprises. Feidong, Tongcheng, Dongtu, Tianchang and other counties planted their foothold on being prompt and diligent and went all out to organize production. Many enterprises went back to work

right after the Spring Festival. Most prefectures, cities, and counties not only did not slow township enterprise development during the period of reorganization when some districts were eliminated and some townships merged, they actually strengthened the grassroots township enterprise management contingent.

During the first two months of this year, Anhui's township enterprises were marked by three characteristics: One, since the disaster, township enterprises have fully recovered and have developed in an all-around fashion. Township enterprises in 13 of the province's 16 prefectural cities saw their output value increase by more than 25 percent compared to the same period last year. Two, development of township industries clearly accelerated. [Increase in] the province's township industrial output value surpassed the total output value of township enterprises by 3 percentage points. This was unheard of in previous years. Three, development was uneven. Township industrial output value grew by more than 40 percent in Fuyang, Yicheng, Hefei, Bengbu, Wuhu, and Anqing, and of the 6 cities, Hefei was the fastest growing, at 84.7 percent. In contrast, township industrial output value increased by only 12.7 percent, 18.1 percent, and 19.3 percent in Tongling, Huai-bei, and Lu'an cities respectively. It is hoped that prefectures and cities that saw slower growth would seriously analyze their own situation and adopt effective measures to catch up with the others.

Liaoning Township Enterprises Step Up Export

92CE0407C Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 6 Mar 92 p 1

[Article by Huang Junwei (7806 0689 4850) et al: "Liaoning Township Enterprises' Export Value Exceeds 3 Billion Yuan—They Account for One-Quarter of the Province's Total Foreign Trade Procurement"]

[Text] Last year, Liaoning's township enterprises delivered a total of 3.286 billion yuan's worth of export goods, a net increase of 1.1 billion yuan, or 52.4 percent, compared to the year before. They accounted for 25.47 percent of the province's total foreign trade procurement, and as a result, a new situation has developed whereby township enterprises now dominate one-quarter the province's foreign trade procurement.

Liaoning township enterprises' impressive export and foreign exchange-earning development and their rise to another high plane are due partly to their superior natural conditions but more importantly, it is due to the provincial party committee and the provincial government's preferential policies that encourage the township enterprises to increase export and earn more foreign exchange, and because of those policies, Liaoning's township enterprises put their respective abilities to work in the international markets, displaying speed amid stability.

Dalian City which is known as the window to the outside world grew at a rate of more than 60 percent last year. It delivered 1.97 billion yuan's worth of export goods, accounting for more than 60 percent of the value of exports delivered by Liaoning's township enterprises. It is the bona

fide "head of the dragon." Last year, export and foreign exchange-earning of Liaoning's four mainstay industries—foodstuff, garment, mineral products, and machinery—saw steady increase, and in particular, export goods delivered by the garment industry doubled in just one year, from 220 million yuan's worth in 1990 to 530 million yuan last year. Last year, these four mainstay industries delivered a total of 2.285 billion yuan's worth of goods. By the end of the year, there were 1,276 township enterprises in Liaoning that earned foreign exchange through exporting—160 of them delivered over 5 million yuan's worth of goods, and 71 delivered over 10 million yuan's worth, and in addition, there were five 100-million yuan towns and townships: Xinzhaizi in Dalian's Ganjingzi District, Xinjin County's Yangshufang, Shihe in Dalian's Jinzhou District, Zhuanghe County's Heidao, and Haicheng City's Yingluo.

Last year, the province spent 9.5 million yuan on loan discount and 7.5 million yuan on low-interest loans and selected 17 export enterprises for technological transformation. Under the Eighth Five-Year Plan, the provincial government will spend 30 million yuan a year on interest discounting, and the loans will be used to help the exporting and foreign exchange-earning township enterprises undergo technological transformation and to build commercial-industrial-agricultural bases. In addition, last year, various cities and prefectures also took advantage of the new international economic situation to actively develop and expand frontier trade with the Soviet Union and Korea. In Anshan City alone, 13 towns and townships developed several kinds of trade with the Soviet Union, and in just one year, the trade volume has topped 70 million yuan. This year, just after New Year's, they struck while the iron was hot and signed 40 million yuan's worth of frontier trade contracts with the Soviets.

AGRICULTURE

Livestock Feed Industry Grows in Prominence

92CE0396B Beijing ZHONGGUO NONGJIHUA BAO in Chinese 11 Mar 92 p 1

[Article by Correspondent He Yuwu (0149 3022 2976): "Quiet Emergence of the Livestock Feed Industry"]

[Text]

- Annual output of more than 32 million tons of blended livestock feed for a saving of approximately 8 million tons of grain.

Complete livestock feed processing equipment having an hourly output of under 10 tons can largely satisfy domestic needs.

During the Eighth Five-Year Plan and for the following 10 years, the livestock feed industry will enter a period of vigorous development.

Feeding the chickens with handfuls of rice—the traditional livestock feed—is being replaced by high dividend-paying blended livestock feeds. A new industry—the livestock feed industry—is quietly emerging.

At a Beijing press conference on 13 February, Chinese Livestock Feed Industry Association Deputy Secretary Liu Enfu [0491 1869 1133] announced a more than 32 million ton gross output of blended livestock feed nationwide during 1991. Readjustment of the country's livestock feed mix produced a fairly rapid increase in output of readily marketable concentrated livestock feeds, pre-blended livestock feeds, and pellet livestock feeds. Poultry feed, which pays fairly high dividends, accounted for 40 percent of total output. These blended livestock feeds can save the country approximately 8 million tons of grain annually, and can ensure an approximately 10 percent annual increase in output of meat, eggs, milk, and fish to satisfy the people's ever increasing needs.

Behind the ever increasing market availability of meat, eggs, milk, and fish is the emergence of livestock feed as a newly developing industry. According to information provided by the National Livestock Feed Industry Office, there are 6,045 livestock feed plants in the country having an output of more than 1 ton per hour. In addition, a number of livestock feed additive projects to produce calcium hydrogen phosphate vitamins, and trace elements have been newly built. The country has 270 livestock feed machinery manufacturing enterprises. Complete livestock feed processing equipment producing an output of less than 10 tons per hour can largely satisfy domestic needs. The all-personnel labor productivity rate for the livestock feed industry was 47,900 yuan in 1990 for fourth place among 39 industries. It also holds a leading position in other economic indicators.

At the press conference, Deputy Secretary Liu Enfu presented the overall conception for development of the livestock feed industry during the Eighth Five-Year Plan. He said that the livestock feed industry will enter a new period of vigorous development during the Eighth Five-Year Plan and for the next 10 years. The overall conception is as follows: Coordinated development of the livestock feed processing industry, the livestock feed raw materials industry, the livestock feed additives industry, and the livestock feed machinery manufacturing industry to meet needs stemming from a rise in the national economy and the people's standard of living; and organically linking large, medium, and small enterprises, scientific research and education, quality monitoring, and a technology promotion service system as part of an integrated whole for balanced regional economic growth of areas that are different in character in an effort to build a distinctively Chinese, fairly complete livestock feed industrial system by the end of the present century. The press conference also announced the holding of a national livestock feed industry, new technology, and new products fair in Shenyang during May, which will include exhibits of new products and new technology, awards, trade talks, and academic reports.

Goals of Farm Machinery Industry Outlined

92CE0396A Beijing ZHONGGUO NONGJIHUA BAO
in Chinese 14 Mar 92 p 1

[Article by Correspondent Xia Xiaoning (1115 2556 1337): "Farm Machinery Industry's Near Term Work

Objectives Clarified. Implementation of Spirit of Eighth Plenary Session To Improve Self-Building Capabilities in Order To Move Ahead With Farm Mechanization"]

[Text] In the near term, the farm machinery industry plans to emphasize further readjusting the product mix, concentrating energies on the transformation of 150 key enterprises for the operation of a number of enterprise blocs, and trying to improve product quality. On 4 March, Ministry of Machine Building and Electronics Farm Machinery Department Director Lu Zhongmin [7773 0022 3046] briefed journalists in the capital on the farm machinery industry's plans to implement the spirit of the Eighth Plenary Session to improve its self-building capabilities in order to move ahead with farm mechanization.

In its *Decisions on Further Intensification of Agricultural and Rural Work*, the Eighth Plenary Session of the 13th Party Central Committee noted the need for "vigorous development of industries that serve agriculture in order to move ahead with the mechanization of agriculture," and "the need for the farm machinery industry to coordinate the development of large, medium, and small models of farm machinery as agricultural production in various areas warrants, producing a full range of farm machines and tools to spur the promotion and use of farm machinery." This was a major decision of the CPC Central Committee and the State Council about farm mechanization under the new circumstances. Farm mechanization is an important component of the modernization of agriculture, and one might say that it is also an important requirement for the modernization of agriculture. The widespread use of farm machines has markedly improved conditions for agricultural production, has increased the ability of agriculture to withstand natural disasters, and has spurred increases in agricultural production and income. The economic and social benefits generated, and the huge role of farm mechanization are becoming increasingly evident to the people.

Provision of technical equipment for agricultural production, and providing services for the development of agriculture are unavoidable responsibilities of the farm machinery industry. In this regard, the farm machinery industry will emphasize the following tasks for some time to come:

I. Further readjustment of farm machinery product lines, accelerated updating of products, replenishment of the various kinds of machinery needed for agricultural production, and meeting new requirements in the development of agriculture.

During the past decade, the mix of farm machinery products has mostly gone from large and medium size models to small models, the emphasis changing from machines used in grain farming to machines that meet the needs of economic diversification. During the past year or two, a rural two-tier operating system that combines centralization with decentralization, and a socialized service system have developed rapidly. Supplies of the new model large- and medium-sized machines that the farming industry needs have begun to be unable to meet demand in terms of variety, quality, and quantity. The farm machinery

industry faces the task of making new readjustments of the product mix during the Eighth Five-Year Plan. This means that it must emphasize development of large- and medium-sized models of farm machines even while improving the small models and augmenting the machines that rural villages need for economic diversification. Specific plans are as follows:

1. For a fairly long time to come, small farm machines will remain an important integral part of the farm machinery market. The future emphasis of farm machinery production will be improvement of the field operating performance and the quality of the small model hand tractors that peasant households use. The small associated farm machines that individual jurisdictions develop must become part of a complete line that meets local area and crop needs as quickly as possible. Technical problems must be overcome in the production of small rice combine harvesters, and a production capability developed. Large scale production of small model farm trucks and small model hand tractors, which find favor in markets, must be organized.

2. Economic diversification, in which the production of high value agricultural products and the processing of agricultural products are the main ingredients, is an important way to develop the rural collective economy, to increase urban supply, and to make the peasants become prosperous. Various cash crop processing machines must be further developed by adapting general methods to local circumstances as sources of funds in individual places permit, a complete line of equipment produced for high quality vegetable production in the suburbs of large and medium size cities, as well as for the intensive factorized rearing of fish.

3. The production of large and medium size models of farm machines mostly for grain production is to be a future emphasis in the development of farm machinery products based on new technology. A good job must be done of digesting and assimilating imported technology for two series of large and medium size wheeled tractors. The old model tractors being produced today will remain the main models supplied to markets for the next five years. A good job must be done in improving and upgrading them, and in speeding up model changes. Particular attention must be given to the development and the formation of a production capability for urgently needed lines that are not being produced or are in short supply. The development of 30 key products including ditch digging and pipe laying machines; combine harvesters capable of preparing the soil for planting, doing precision planting, and sowing seeds; water-saving pipe equipment; paddy rice combines; corn combines; grain drying, seed processing, and large model grain storage equipment must be organized. The technical

level and the quality of complete equipment for production of the exceptionally large model 1.6 to 4.2 meter diameter rotor water pumps needed to harness large rivers and large lakes must be improved, and production capabilities expanded. Tractors, internal combustion engines, and drainage and irrigation machines are energy consuming machines used in large numbers over a wide area on which future energy conservation work is needed.

4. More complete lines of farm machinery must be produced to satisfy the comprehensive development needs of key medium and low-yield production areas nationwide, for the building of national key agricultural product commodity production bases, for large and medium size city "market basket" projects, for large river and lake harnessing projects, and for different kinds and amounts of farm machinery needed for a rural socialized service system. These projects must be closely tied in with comprehensive development projects for the research and development, production, and supply of completely integrated lines of farm machinery of all kinds.

- II. Efforts must be concentrated on the transformation of 150 key farm machinery enterprises for the operation of a number of enterprise blocs. Enterprises responsible for the new development of products to fill gaps in available lines and products that are in short supply should be helped to improve their self-development capabilities. Discussions should be held with the relevant local authorities about enterprises that are incurring serious losses. Various measures may be taken, depending on the circumstances, including diversified production, and policy readjustments, or reorganization and mergers to form "a single plant having a single policy" in an exploration of avenues for enlivening such enterprises.

- III. Efforts must be made to improve product quality. Not very high product quality and insufficiently reliable performance have been longstanding problems in the farm machinery industry. Awareness of quality must be further increased, and the experiences of the No 1 Tractor Plant and those of the sectors using farm machinery and working together to improve product quality—tackling problems when they were found for genuine solution to the problem of product quality—should be publicized. Efforts should be made to import large and medium horsepower tractors and combine harvester self-contained power units to satisfy the need for principal machines. More work must be done in improving product reliability, increasing the average trouble-free operating time and the first trouble-free operating time of key farm machinery products. A three to four year period is to be taken to organize a new round of efforts on scientific and technical problems involving a number of key machinery parts in order to improve reliability and ensure the quality of principal machines.

Education Body To Extend University Reforms

OW0204065092 Beijing XINHUA Domestic Service
in Chinese 0534 GMT 1 Apr 92

[Text] Beijing, 1 Apr (XINHUA)—Nanjing University and Dongnan [Southeast] University, which were selected to carry out a trial reform of their management systems, have achieved initial good results. The State Education Commission has now decided to extend the trial reform to six more universities, including Qinghua University and Zhejiang University.

The reform of schools' internal management systems is a component of the plan to comprehensively reform schools of higher learning. It aims at improving operation; increasing vitality; raising efficiency; whipping up the enthusiasm of teachers, staff members and workers in running schools; and exploring a new way to successfully administer socialist universities by means of correct policies, ideological education and material incentive.

Reform of the internal management system on a trial basis started at Nanjing University and Dongnan University early last year. The basic content of the reform involves a personnel system, distribution of income, housing, medical care, retirement and insurance. The reform of the personnel system took the lead. It implemented the system of fixed organization, fixed position and fixed duties; adjusted the hiring system to improve the structure of teachers and staff members; introduced a contract system for young teachers, and the system of having graduate students work as teaching or research assistants or administrative assistants; and gradually established the employment system which integrates a relatively stable permanent organization with a flexible organization.

Meanwhile, the two universities carried out the reform of the system of income distribution within schools. The basic principle is to integrate state wages with school allowances, gradually change the existing situation of equal distribution of bonuses and allowances at schools, and turn some hidden bonuses and allowances into open compensation. The extent in raising bonuses will depend upon a school's own financial capability and the amount can be flexible.

Through reform of the personnel system, the two universities have now changed the situation in which some teachers and staff members are very busy and some have little work to do, and have transferred some hired personnel to more appropriate new positions. According to initial estimates overall working efficiency has been raised by 30 percent, while the quality of teaching and income from scientific and technological research and development has risen by more than 20 percent.

The two universities have reformed the income distribution system. Some 40 percent of original covert allowances have been made public. On the basis of a generally raised average income of teachers, staff members and workers, the universities have adopted measures which favor backbone teachers who have made relatively big contributions. The new system expands differences in income and formulates an incentive mechanism.

The State Education Commission, after investigating trial reform of the management system at Nanjing University and Dongnan University, has decided to extend the trial reform of management systems to six additional universities of different types, namely Qinghua University, Zhejiang University, Shanghai Jiaotong University, Nankai University, Tianjin University and Northeast Teachers' University.

Spreading Drug Problem in Shaanxi Viewed

Case Histories

92CM0257A Xian SHAANXI RIBAO in Chinese
28 Mar 92 p 5

[Article by Hui Baotan (1920 1405 6223) and Si Hong-meng (0674 7703 5536): "Drug Taking—A Spreading Cancer"]

[Text] On 22 December 1989, the Standing Committee of the Shaanxi Provincial People's Congress passed *Shaanxi Province Regulations Prohibiting Drug Sales and Drug Taking*. One year later, the NPC [National People's Congress] also passed *Decisions on Drug Prohibition*. These resounding successive warnings tell us that drugs—this vicious social cancer—are spreading!

Atop a high concertina wire-fringed wall, people's armed police carrying Mausers loaded with live ammunition patrol. In every country, the law expresses its majesty in a similar fashion.

A year later, when the writer made a survey at the province's No 4 Labor Reform Detachment, he also heard one criminal after another denounce drugs.

These words came from 39 drug users among the 97 offenders who entered prison most recently. Thirty-five of the 39 were thieves and robbers, virtually all of whom traveled a path that slipped downward step by step from drug taking, to selling everything they could move from their homes, to theft and robbery, to going to prison.

The Devil's Lure

Opium and heroin are drugs that cause untold harm and no benefit to people. So why is it that so many people scramble to take them, not caring that they ruin their own future, their freedom, or even their lives!

One need go no farther than the following to find the explanation:

1. The Psychological Make-up of the Drug Takers Is Poor; They Lack Full Powers of Judgment and Sufficient Immunity

In terms of education, only one of the 39 was a technical school graduate, and one was a senior middle school graduate; all the others had a primary school education or less. Furthermore, their scholastic record and performance had been relatively poor. Nearly half of them had dropped out of school because of inability to keep up with their studies, and another two had been kicked out of school.

In terms of age, the oldest of the 39 was 31, and the youngest was just 18. Ninety percent were between 20 and 30 years of age, and many were students who had just left school. All had begun to use drugs before they were 25.

Their low educational level, their extremely immature age, and their lack of experience in society made them unable to fashion a correct and firm world view or conception of life. They were unable to differentiate clearly between right and wrong or good and bad, and they were unable to resolutely oppose the corrosive effect of bad habits! As one 21-year-old offender said:

"For us junior middle school students, our school education was limited. In particular, our education about the law was very weak.... My understanding of life was much, much too slight. When I started out in life, I had many high ambitions and ideas, but when I ran into difficulties, I withdrew. At home, my parents were very good to me. I lacked for nothing, and they often gave me good guidance. They wanted me to be a decent person. But I did not listen to my parents. I got hooked on opium and took a road of crime...."

2. Serious Imbalance Between Material and Spiritual Life

Material civilization has grown by leaps and bounds ever since the advent of reform and opening to the outside world, but because of some policy mistakes, spiritual civilization has done down hill. Many "materially rich but spiritually impoverished people" have appeared on the soil of our Republic. When some people, particularly the not very well educated who have become rich overnight, no longer have to figure night and day, skimp on clothing, and deny themselves food in order to buy a piece of furniture—once they "lack for nothing"—they experience a feeling of loss. So they resurrect vicious habits that were stamped out long ago. It is then that drugs come forward to fill the void.

Criminal Zhao's record provides excellent testimony. In 1984, he was demobilized from the armed forces with a proud record. Three years earlier, he had been sent off to camp to the sound of drums and gongs; now, 3 years later, he returned with a certificate of commendation. Not long afterward, he was assigned to the supply and marketing department of a state-owned enterprise where he gradually discovered that many of his former classmates and friends had become rich while he had been away in the armed forces. They rode around in taxis, visited wine shops, and frequented dance halls. They had everything they wanted, and they could do anything they wanted. But he had nothing. This made him suddenly discover the lure of money. Thanks to the efforts of many people, he was able to take leave without pay and contract the operation of the messhall in the labor service company of a certain factory. Several years later, he finally had all the money he could spend. He enjoyed everything he should enjoy, and went on to enjoy things he should not enjoy. Demon opium became his constant companion. In the twinkling of an eye, he lost everything, and finally he lost his freedom because of the robberies he committed!

3. Loss of Human Value

A certain Wei was arrested, and he will spend the finest decade of his life inside the high walls. Wearing an expression of shame and remorse, he told the writer the following:

"I graduated from junior middle school in 1983, my head filled with dreams, confidence, and determination to follow in my father's footsteps. At first, I worked hard, lived a thrifty life, and was highly regarded by my leaders and colleagues. I was several times commended as an advanced worker and an outstanding member of the youth corps. I even took part in the youth league cadre training class organized by the provincial CPC committee organization. However, I don't know when it began, but I gradually discovered that other people did not regard being 'advanced' and 'outstanding' as such a big deal, and I too felt more and more that it had no meaning. Thus it was that I began to associate with some shady 'friends.' Later on I became addicted to mahjongg and opium...." Quite a few people have a track record of mistakes similar to Wei's. They also started out with unbounded ideals and a shining youth, but they could not stand up to the devil's temptations, and they gradually slipped toward the prison gate.

4. The Filthy Cesspool

"I have a friend who smokes opium. When I went to his house, he offered me a puff. I said I did not want to, that it was poisonous. But after he offered it to me several times, I thought I would like to see how it tasted. This was the way I began to smoke it, one puff after another...."

Without exception, the first time all of the 39 addicts took drugs they were seduced by a "friend." A "friend" provided them the drug, showed them how to use it, and then got them addicted to drugs. But almost all of these "friends" are what people call "loafers."

One common characteristic of loafers is "loafing." They are interested in nothing and have nothing to do. All day long, they hang out in the streets, dance halls, movie theaters, and gambling halls. They sneer at all correct value concepts, respecting only a single "righteousness." They regard "enjoying good fortune together and sharing hardships" as a golden rule and a precious concept, never distinguishing which of them is right or wrong, crooked or straight. Yesterday A lost out in a fight with another person, so today B brings C along to seek revenge. Today B is planning to steal a color television, so he gets A to stand lookout for him. Tomorrow C gets a packet of opium that he asks A and B to enjoy with him.... In this way, millions upon millions of filthy "cesspools" form in corners all over the Republic, and one sallow-faced, scrawny "opium addict" after another crawls out of them.

Astounding Consumption

When the devil lures one living person after another into hell under various fine guises, he reveals his hideous nature. The attitude of the seducer toward the seduced also changes as his drug habit progresses from "free gift" to "collection of a small fee," to "so much cash for so much goods." And once the drug user is hooked, he has no choice

but to sell all his property, his soul, his flesh and blood, and even his wife and children to them, becoming their slave heart and soul.

The drug taker's consumption is usually figured by the day. "So many packets a day" or "a packet every so many days" was the way the 39 drug takers replied to the question about how much drugs they usually used. Statistics showed that they spent a minimum of 20 yuan and a maximum of 55 yuan per day on drugs. The average daily amount for the 39 drug users was 55 yuan. This means that each of them spent more than 1,600 yuan per month on drugs, an amount equal to the entire annual earnings of a university undergraduate!

Offender Wang had a substantial income, thanks to this wife's clothing business. He had savings amounting to between 50,000 and 60,000 yuan. After taking drugs—first at between 50 and 80 yuan per day, and later increasing to between 180 and 200 yuan per day—in less than 2 years all of his savings and property were entirely depleted.

During April 1991, three offenders named He, Wang, and Liu stole more than 9,700 yuan in cash. All of the dirty money they obtained, except for what they used to buy a suit of clothes and share a bath one time, Wang and He put into the hands of drug dealers within 2 months.

A certain Shao did not lack for money since his older brother was in the hauling business, his wife ran a store, and he himself drove a taxi. Furthermore, he knew a lot of people of all kinds. He could buy for 60 yuan drugs for which others would have to pay 200 yuan. Nevertheless, he still did not make enough to pay his bills, and finally took to robbery.

A Bitter Pill To Swallow

The spread of drugs gives both drug takers and society many bitter pills to swallow.

Once a person becomes hooked on drugs, selling off everything he owns become a necessity. Accompanying collapse of the home economy, difficult to mend rifts appear in the feelings of many families. Of the 39 drug users, all but one offender, who did not live alone as yet because he was too young, had reduced their families to utter destitution. Now, approximately one-third of the offenders have received retribution to one degree or another in the form of "themselves undergoing reform, their wife marrying someone else, their children changing their name," and even their "parents disowning them."

Because of drug taking, offender Zhang sold every one of the electrical appliances purchased when he married, and finally he sold everything including the household furniture to get money for drugs. In a rage, his wife returned to her parent's home, taking a year-old son with her. Thoroughly disgusted, his parents refused to let him in the door, and his unit cancelled his job as a purchasing agent.

A letter from the mother-in-law of offender Ma said that because Ma took drugs and hooked his wife, his wife's younger brother and his wife's younger sister on drugs, the

entire family was in a labor reform brigade, a labor education institution, or an opium addiction treatment center. Several thousand yuan worth of rugs in the home had been burned beyond repair from opium smoking, so she intended to break all relations with him.

Second is physical decline and weakening of the will of drug users.

Probably the reason drug users are called "drug devils" is that their faces are sallow; they are scrawny, listless, and like zombies. Statements from many drug users show that when they are taking drugs they eat only 2 to 4 liang of food each day, so why wouldn't their physical condition worsen with each passing day! Once they decline physically, their will to resist drug addiction weakens steadily. Offender Tang died in the hospital from infectious bacillary dysentery less than 3 months after he went to prison. The doctor reported that his poor physical resistance to illness as a result of drug taking was the prime reason treatment failed.

When drugs drive a drug user to gradual extinction, the victim is not entirely unaware, nor does he or she want to pull themselves back from the precipice. However, while this malicious devil ravages their bodies, it also destroys their will. As the damage from the drug gets worse and worse, they try to quit the drug time after time only to fail time after time, and each time their will gets weaker. Their confidence in being able to live again also becomes increasingly less. Gradually they throw their ideals, their self-respect, their conscience, and their morality entirely to the winds. They drift along, and languish in a steadily worsening condition in the "world of the devils."

This was what happened to the thief Wang. As a result of drug taking, he squandered all his savings; then he borrowed money all around from his close friends till he was more than 10,000 yuan in debt. He "felt that I had lost my dignity, lost my moral character, and was looked down on by people wherever I went." Thus, he tried to quit taking drugs six different times within three years. Once, when trying to get off drugs, he became confused from an overdose of medicine. His bed clothes caught fire, burning a friend's 6 square meter house and all its contents to the ground. He also sustained severe third degree burns and was put in the hospital. Nonetheless, once his finances took a favorable turn, and his relations with his family and friends improved, he resumed drug taking. After trying to quit six times, he no longer had even so much as the will to protect his "self-respect and moral character." Finally he turned to a life of crime.

The third bitter pill that drugs give drug takers to swallow is letting their youth slip away and suffering behind bars.

The years between 20 and 30 are a person's golden age, but drugs turned the golden age of the 39 into rust-stained and reeking, mildew-ridden years! It took away their ideals, destroyed their will, ruined their health, dragged them from the human world into the realm of devils, and changed them from honeybees to rats.

Worse yet, driven by drug addiction, they not only could not devote their youth to creating wealth for mankind; instead,

they did evil to society and hurt the people. The 39 carried out more than 60 thefts, robberies, and swindles causing approximately 200,000 yuan of losses to public and private property. For this, they got the punishment they deserved: a maximum of 13 and a minimum of 2 ½ years imprisonment. The 39 received a total of more than 200 years of prison time!

As for society, the rampant spread of drugs causes a decline in national vigor, upheaval in public order, and a rise in the crime rate.

Historical Responsibility

When chest after chest of opium was transported to China by the imperialists 150 years ago, duty bound and unhesitatingly, national hero Lin Zexu launched a vigorous and speed campaign to prohibit opium. Now, 150 years later, the specter of drugs hovers over the soil of China once again, daily gobbling up the healthy organism of the People's Republic. In order to have a clean conscience before the ancients and to help countless generations of posterity, we must shoulder the historic burden of completely wiping out drugs, this evil monster! The writer believes that we should taken the following actions:

1. Strictly enforce *Decisions on Drug Prohibition*; strictly punishing smuggling, peddling, or growing drugs as well as seducing or instructing others in drug taking. No leniency should be shown particularly to those who seduce or instruct others in drug use. Article 7 of *Decisions on Drug Prohibition* provides as follows: "Seducing, instructing, or deceiving others to ingest or inject drugs is to be punished by up to seven years imprisonment, forced labor, or surveillance, and a fine." Nevertheless, during the past year, the province's No 4 Labor Reform Detachment has not taken into custody a single drug user who has seduced, instructed or deceived others in the use of drugs. Furthermore, reportedly many such people are drug dealers as well.

2. Intensification of ideological and political work to improve the nation's ideological and cultural level so that people will consciously stand up to the corrosion of drugs, and so that all young people will establish lofty ideals and shape a correct view of human life. Plenty of healthy recreational activities should be provided to fill up people's spare time. The dangers of drugs should be vigorously publicized to make all who do not take drugs exercise a high degree of vigilance, and so that drug takers will completely realize the error of their ways and repent.

3. All positive elements should be aroused to do a good job in cleaning up society completely. Society, the family, and individuals should be used as channels for restricting the spread of drugs, and to eradicate, insofar as possible, the evil that has already been created.

It is to be hoped that we will soon be able to root out this spreading cancer of drugs!

Rehabilitation Work

92CM0257B Xian SHAANXI RIBAO in Chinese
28 Mar 92 p 5

[Article by Tian Changshan (3944 7022 1472) and Yu Yan (3768 3508): "Drug Treatment Findings"]

[Text] Dongguan Has a Drug Treatment Center

An iron gate separates the drug treatment center from the outside world. This is the Public Security Bureau Drug Treatment Center in Xian's Beilin District. The separate world has coercive regulations that do not permit going outside alone, do not permit excessive drinking, require regular inspections and acceptance of medical treatment, etc. Freedom is limited, and opportunities for drug taking or satisfying an addiction are limited. Those being forcibly treated for drug taking are only people who have made mistakes; they are not criminals. Nevertheless there is a sternly coercive atmosphere that constantly forces them to feel remorseful and awakens their finer instincts.

The people in this center are all drug takers and drug peddlers from the Beilin District. When we conducted a survey, there were fewer than 100 of them, an overwhelming majority of whom were young people between the ages of 16 and 35. Some were individual entrepreneurs, workers, state cadres, actors or actresses, and even college students! The drug miasma simply has a tendency toward unbridled spread. In the beginning, the financial circumstances of most drug takers was very good. They were quite wealthy from doing business, or they made a fair amount of money from a second job, or they came from a quite well-off family. However, as soon as they became drug takers, most of them squandered all their savings, ruined their business, destroyed their homes, and finally were overwhelmed with debt. Some of them became utterly destitute, having sold everything they had to sell, leaving only a sleeping mat and a lock on their door. The drug takers had brothers, wives, and fathers, but they ruined and split wonderful families through drug taking, scattering them far and wide.

Drug takers bodies sustain damage in proportion to the length of time they have been addicted. Some of the heavy addicts have already been seriously impaired. They have a sallow complexion; they lose weight; they have no appetite; and they have no sex urge. As their addiction worsens, their "bones feel as though countless caterpillars are crawling around inside." The itching could not be worse. The drug they take has also taken away their moral character and self-respect; it has drained away their sense of shame. Many turn to theft and prostitution. "Drug taking leads to other criminal activity."

Every public security branch bureau in Xian runs a drug treatment center in which the number of people receiving treatment varies. The province also operates "drug rehabilitation centers." Society uses tough love to coerce those very numerous but extremely endangered people who have lost their footing! It is hoped that they will thoroughly reform themselves and follow a correct path.

The Pitiful Feelings of Parents Nationwide

Children are the apple of their parents' eye. No parent who has a sense of responsibility or duty is not sick at heart and mind when a child takes drugs, nor can they help feel a sense of shame at children taking drugs. Virtually all parents try to find treatment for children who take drugs. Some of them come forward with money to send them to a drug treatment center or have them go to a close relative in a far away city to get treatment. Some even do everything possible to have a daughter adopted and sent to a distant place so she will be separated from a seductive environment. When the person takes drugs, the whole family is upset. The parents spare no energy or money to help make their sons and daughters lead a normal life as soon as possible. Even when they are weary and worn, they will not cease to help.

Accompanying this instinctive love is profound sadness. The father of one drug-taking young woman who had gone to a kindergarten teaching school were middle age intellectuals and accomplished professional cadres. In analyzing the reasons why their daughter took drugs, they felt that they had spoiled her as a child, not even allowing her to wash her own clothes. This encouraged her in being willful, vain, and indolent. These qualities, together with a social environment that encouraged her in them, resulted in her going farther and farther afield. Her parent's family was simply powerless to do anything to stop it. In addition, since the husband and wife had divorced and the family split up, she was a young person who had lacked good family education since childhood. The mother and father discussed the child's debasement, thinking at the same time about their own misfortune and their more unspeakable sadness!

However, once drug taking becomes a social problem, the parents' responsibility and the family's abilities are just one factor, albeit an extraordinarily important one. When the parents and the family were powerless to do anything, they turned to society. As heads of the household, they jointly addressed a letter to the newspaper in which they "beseeched the party and government to devote earnest attention to the prohibition of drugs, arouse the public to expose and report to the authorities drug peddlers and drug takers, and punish severely those drug dealers guilty of the most heinous crimes, locking up those who should be locked up, killing those who should be killed, and positively not showing any leniency!"

The Long-Ringing Alarm Bell....

Nothing causes more sadness than injury to a young soul. Drug takers not only hurt themselves and hurt society, but also seriously impair the mental and physical health of the next generation. Some drug takers give birth to children having various illnesses, and some women who take drugs get their children addicted. As soon as the child leaves the drug taking environment, it cries and causes a fuss. A child who is just beginning to understand may completely mimic the expression and actions of its parents when they take drugs, and when their parents need a fix really bad but are unable to obtain drugs, they may get a pinch of dirt from the courtyard to give them. Children become a direct sacrifice of these drug takers.

Nothing reveals more profoundly the vicious intent of those who seduce people to take drugs than "I'll trap you to take revenge for what happened to me." Although it is true that steady drug users and opium addicts sometimes regard drug taking as being chic, they also realize that enticing others to take drugs, making them empty the contents of their homes and get on the same footing as they, is both a kind of psychological leveling and a way of taking revenge as well. "Old buddies" are sometimes several "losers" who have been sought out to go down in misery together!

When a drug taker is forced to stop drug taking, his sad plight may arouse a sense of pity in some people who say "If you had known it would come to this, you would have acted quite differently!" When the person attempting to stop drug taking lacks the willpower and enters a round of withdrawal, more drug taking, and withdrawal again from which he is unable to extricate himself, people may become angry at him for not trying. They may view him with contempt and scorn! "But a prodigal who returns is more precious than gold." Some reformed drug takers who have awakened quickly to their error may gain people's respect. Drug takers who are looked at askance by others make a difficult choice, and the process of making this choice is arduous and long. It is also soul-stirring. Hell and heaven seem only one step away from each other!

The legal system, which acts as a social conscience, does not abandon these miscreants who have violated the law. While regarding them lovingly, it also applies absolutely necessary coercion in the hope of returning healthy, lively, and vigorous young people to us. A sound social rationale toward these drug takers who have been revived from the dead is to make a many-faceted and thoroughgoing exploration of the problem. One point at least is alarming, and that is that international drug cartels are targeting China as their "drug selling pipeline" or their "drug market" while China is in the midst of reform and opening to the outside world. This is a solid fact, and it is also generally recognized by those in the know. So increasing our people's awareness of the prohibition against drugs, intensifying the struggle against drugs, and safeguarding the healthy organism and the spirit of civilization of our nation, as well as increased vigilance "against peaceful evolution" are certainly not creations for the purpose of scaring people!

Project Supports 30,000 Teenage School Dropouts *OW0404083692 Beijing XINHUA in English* *0811 GMT 4 Apr 92*

[Text] Beijing, April 4 (XINHUA)—The much-acclaimed "Hope Project," which aims to provide school drop-outs with financial support, has successfully helped some 30,000 teenagers to return to their schools since the end of 1989.

Launched on October 30, 1989 by the China Teenagers Development Foundation, the project has received over 9,000 donations from China and abroad, with the total value at 11.16 million yuan.

An official from the foundation told XINHUA here today that during the period, four million yuan was used to support some 20,000 students from 139 counties under the poverty line to resume their schooling.

Meanwhile, the official said, another 610,000 yuan was allocated to establish regional hope project foundations in nine provinces and autonomous regions, including Sichuan, Anhui, Gansu, and Inner Mongolia. Now in these areas, some 10,000 teenagers have returned to their schools.

With the donations, according to the official, 17 Hope schools were built throughout the country with 1.71 million yuan. Another 82,000 yuan was used as a special scholarship to support the continued studies of outstanding primary and middle school students.

The official said that the drive to make public these donations and their uses was an effort to win the support and trust of the whole society and the supervision from the broad masses.

There are now 220 million school students in China. In the past decade, there have been annually four million primary school pupils dropping out of their schools, one third of whom do so because of poverty in their families.

In addition, in these regions still under the poverty line, each pupil is required to hand in 40 to 50 yuan as tuition fees, an impossible burden for many.

From the first day of its launch, the official noted, the Hope Project won whole-hearted support from all sides of Chinese society, as well as from overseas compatriots.

In the next five years, according to the sources, the Hope Project is to be implemented in 328 key counties under the poverty line in 23 provinces and autonomous regions.

Journalistic Freedom, Liu Binyan's Work Viewed

92CM0258A Xian SHAANXI RIBAO in Chinese
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[Article by Qin Xuan (4440 0826) and Xin Wen (6580 5113): "Uphold the Principle of Party Spirit in Proletarian Journalism—Also Commenting on 'Guanyu Buhui Shuojiahua de Zhongguoren de Gushi' [*The Story of a Chinese Who Cannot Tell a Lie*]"

[Text] At one time, advocating capitalist "journalistic freedom" was an important manifestation of the flood of capitalist liberalization in journalistic circles. In October 1988, the Yuanhuayeu Wenyi Publishing House published Liu Binyan's reportage collection entitled "The Story of a Chinese Who Cannot Tell a Lie." In the "Prologue," the publisher not only called Liu Binyan an "outstanding journalist" but suggested that "cannot tell a lie" was in fact Liu Binyan's "innate character."

An "outstanding journalist" who "cannot tell a lie" has been expelled from the party. What "journalistic freedom" is there to speak of in socialist China? This was the logic in the "Prologue" and was also Liu Binyan's logic. The authors believe that this logic still wields influence among some journalists and therefore analyzing it may prove

helpful not just as a criticism of capitalist liberalization but also toward the ideological development of the contingent of journalists.

I.

Is there journalistic freedom in socialist China? The answer is in the affirmative. In China's original Constitution adopted in 1954, it was stated explicitly that freedom of speech and freedom of the press were the citizens' rights. The existing Constitution adopted in 1982 also guarantees the citizens' freedom of speech and freedom of the press, and it also stipulates that the citizens have the freedom to engage in scientific research, literary and artistic creation, and "other cultural pursuits." Because radio and television newscasts are an important part of "cultural pursuit," journalistic freedom is included in "the freedom of cultural pursuit" and is an inherent part of freedom of speech and freedom of the press. Clearly, there is not only freedom of speech and freedom of the press but also journalistic freedom in China. The question is our journalistic freedom is inherently different from that of the Western bourgeoisie. Comrade Mao Zedong said, "There is only concrete freedom in the world"; "there is no abstract freedom." In a speech before the National Journalism Study Class in 1989, Comrade Jiang Zemin said, "No freedom is ever abstract; it is concrete; it is not absolute; it is relative. In no country is 'journalistic freedom' ever absolute or unlimited." The capitalist nations may boast that their "journalistic freedom" is "universal freedom" and claim that they do not serve a particular class but give "the whole people the freedom to express their opinions" and the "freedom to criticize the government." This sounds like absolute freedom, but it is not. We cannot deny that Western news media sometimes attack their governments' policy mistakes and report on the infighting among the bourgeois political groups. These are but their way of cloaking their "journalistic freedom" in deceit. In fact, whenever the journalists try to get hold of national military, economic, and political secrets or anything that has to do with basic bourgeois interests, they will run into all sorts of interference, including violence that may undermine their personal safety. As Lenin pointed out, "freedom of the press is the freedom to buy up the newspapers and the writers. It is the freedom to buy and fabricate, covertly or overtly, opinions that are favorable to the capitalist class" (*The Complete Works of Lenin* vol. 32 p 43.) The infighting only says that "whenever the 'activists' in bourgeois journalistic work have a quarrel, they will expose the corrupt and dirty deeds of the 'big' newspapers who have sold their souls for money" (*The Complete Works of Lenin*, vol. 20 p 155.) Thus, the Western bourgeoisie's "journalistic freedom" is neither "universal" nor "absolute."

China's is a system of people's democratic dictatorship; it is a democratic system for the absolute majority of the people and a dictatorship toward a handful of hostile elements. China's Constitution explicitly states that all of the PRC's rights and privileges belong to the people. Socialist journalism is an undertaking of the party and the people. The people have the legal right and privilege to

utilize the news media to express their opinions and their wishes. At the same time, the masses play the lead role in China's news reporting; they are the subjects of the praises and the propaganda. Nothing in the Western bourgeoisie's "journalistic freedom" can compare to this. It is exactly for this reason that socialist journalism must protect the interests of the party and the people; it must protect the socialist system. The kind of "journalistic freedom" that jeopardizes the interests of the party and the people or rejects the socialist way is forbidden. Journalistic freedom must be carried out within the limits of the Constitution and the party's discipline; there can be no journalistic freedom beyond the Constitution and the law. No one is allowed to carry out acts of bourgeois liberalization in the name of journalistic freedom. No one is allowed to collect the party's and the state's political, military, economic, and scientific and technological secrets in the name of journalistic freedom. No one is allowed to recklessly insult another citizen's character or intrude upon another citizen's privacy in the name of journalistic freedom and so on. Thus, socialist journalistic freedom is first and foremost the people's journalistic freedom. It too is not absolute or unlimited freedom.

The "journalistic freedom" of Liu Binyan and others, to put it in their own words, is to make journalism a "third force" behind the government and the Congress, or it can be called a "fourth force" behind the government, Congress, and the courts. It is dedicated to exposing the "dark side" of the socialist system and the "corruption" of the Communist Party of China. Thus, the goal of Liu Binyan's "journalistic freedom" is to reject the Communist Party's leadership and the socialist system. In essence, it is bourgeois journalistic freedom.

II.

The "Prologue" said that Liu Binyan "has brought hostility and attack" because he "cannot tell a lie," that he "represents the interests of the people" and "voices the aspirations of the people." Much has already been said elsewhere about whether Liu Binyan can tell a lie or not and whether his aspirations are the people's aspirations, and we will not discuss that further. What needs to be said here is that what was expressed in the "Prologue" indeed happened to be Liu Binyan's aspiration, which was to sever the flesh-and-blood ties between the party and the people and cut off the relationship between party spirit and the people's spirit. Liu in fact maintained that party spirit should be subordinated to the people's spirit. Just before the political turmoil of 1989, an erroneous viewpoint that the people's spirit was superior to the party's spirit was popular in media circles. It is therefore necessary to clarify this point.

Party spirit is the highest and the centralized manifestation of class nature. We must have party spirit to protect the class's own interests. The Communist Party of China is the vanguard organization of China's proletariat. The party spirit of the CPC is the "highest and the centralized manifestation" of China's proletarian class nature, and naturally the party spirit demands that we protect the self-interests of China's proletariat. The problem is, the

proletariat does not have its own interests as a class. Its interests are the interests of the people. This is because "if the proletariat cannot emancipate the whole people, it cannot emancipate itself." It is for this reason that serving the people with all its heart and mind is the single purpose of the Communist Party of China. The CPC's party spirit and the people's spirit are one and the same.

Journalism is an important component of socialist undertakings. We openly acknowledge the class nature and party spirit of journalism and make the party spirit principle the basic principle of socialist journalism. All we ask is that the news promptly and accurately propagate the party's line, principle, and policy and use the party's line, principle, and policy to educate the people and unite the people in struggling for their own interests. This is also because the party's line, principle, and policy reflect, and represent, the interests, wishes, and demands of the people. Here, party spirit and the people's spirit are still one and the same.

As a member of the Communist Party and a veteran journalist, Liu Binyan should be familiar with the unanimity of the proletarian party spirit and the people's spirit, familiar with the party spirit principle of proletarian journalism, and with the discipline which every journalist who is a party member must abide by. In his opinion, however, the fact that the party committee checks on manuscripts was "depriving journalists of their freedom." He maintained that the "journalists' brains are their own and nobody else's." When he ignored the socialist undertaking as a whole, ignored the people's basic interests, and presumed to expose the Communist Party's "dark side," and when he was expelled from the party for causing inestimable damage to the party and the people, he professed to represent the interests of the people, and he pitched the people's spirit against the party's spirit. In reality, Liu Binyan's affinity to the people was but a form of self-glorification. Little did he know that in opposing the party spirit principle of proletarian journalism he also violated the people spirit principle of proletarian journalism. In no way did he represent the interests of the people or voiced the aspirations of the people.

One of the "arguments" for advocating that the people's spirit is more important than party spirit is that the party can make mistakes but people do not make mistakes. This is not true. Admittedly, our party has made mistakes, some even serious, in the past, but there are two points we cannot deny: First, the party's mistakes were mistakes made as we advanced forward. Because our undertaking is unprecedented and therefore we have to go through a learning process, sometimes mistakes are inevitable. Second, the party has always corrected its own mistakes. There is no validity in using the mistakes the party made to refute the unanimity of the party spirit and people spirit. In terms of our tasks, we can only avoid certain mistakes by strengthening the party spirit. Were not the mistakes in guiding the news media and public opinion during the 1989 political turmoil caused mainly by people who were ideologically shaken and vascillated in taking action because they were bewitched by bourgeois liberalization's idea that "people spirit is more important than party spirit"?

III.

The publication of "The Story of a Man Who Cannot Tell a Lie" was no accident; there was a social setting and ideological root cause. It was the reflection of bourgeois liberalization that ran amok in this country. It also shows that there is a need to rectify the contingents of journalists and writers. In recent years, our contingents of journalists and writers have grown fairly rapidly. Many young people have become journalists and writers. Their ideas are lively; they are full of enthusiasm for work. There is much great talent among them, and they have become an important force in China's news and publication front. However, their Marxist-Leninist ideological foundation is shaky, their thinkings and workstyle are not solid, and they are low on immunity against Western bourgeois liberal thoughts. Thus, raising the ideological and moral standards of the contingent of journalists and writers is an important task on the news and publication front.

We must strengthen political-ideological education; study Marxism, Leninism, and Mao Zedong thoughts diligently; increase our awareness and ability to discern and resist bourgeois liberalization; and have more faith in socialism. The news and publication front has always been at the leading edge of the struggle between peaceful evolution and counter peaceful evolution; it is a piece of ground contested by all strategists. It is our first line of national defense. The editors' and reporters' ideological and moral standards are extremely important. In the 1989 political turmoil, the lesson of one paper two voices was very profound. Strengthening the contingent of journalists' political and ideological education is necessary to resist bourgeois liberalization and to oppose "peaceful evolution."

We must emphasize the fact that the party is the undisputed leader in news and publication work. If we acknowledge that journalism is an important part of the party's undertakings, then we must strengthen the party's leadership in journalistic work. We must strengthen the journalist contingent's leading groups and put the power of leadership of journalism firmly in the hands of Marxists and in the hands of those who are faithful to Marxism. To abide strictly by the party's propaganda discipline, the journalists must act within the confines of the Constitution and the law. Politically, the journalists must maintain a high degree of unanimity with the Party Central Committee and unconditionally disseminate the party's line, principle, and political viewpoints.

The journalists must uphold the ideological line of seeking truth from facts, be realistic, investigate and study, and keep in close contact with the people. Truth is the life of all news. Truth comes from actual investigation and study; truth comes from the people, from the arduous struggle and selfless sacrifice of the journalists. Departing from the ideological line of seeking truth from facts, there will be no truth in news reporting, and we will be like Liu Binyan who is only interested in society's dark side and who jeopardizes socialist undertakings. Last year, when Comrade Jiang Zemin visited XINHUA SHE, he asked the journalists to "study, study, and study again; go deep, go deep, and go even deeper." We must study diligently and capture the spirit of Comrade Jiang Zemin's words, and in the auspicious situation of even more reform and opening up, we should contribute even more toward advancing China's socialist news and publication undertakings.

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